



*Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules*

Masonic Homes of California

October 31, 2021

**Masonic Homes of California
Continuing Care Contract Annual Report
Part 1**

February 24, 2022

Annette Kite
DSS
744 P St.
MS 10-90
Sacramento, CA 95814

Dear Ms. Kite:

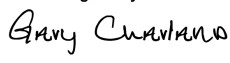
I am the President and CEO for the Masonic Homes of California, 34400 Mission Boulevard, Union City, California. In connection with the Annual Report of the Masonic Homes of California as of and for the year ended October 31, 2021, I hereby certify to the following:

1. The annual reports attached hereto are to the best of my knowledge correct.
2. Each continuing care contract form in use by the Masonic Homes of California for new residents has been approved by the Department of Social Services.
3. The required liquid reserves are being maintained for prepaid continuing care contracts.

This letter is intended to fulfill the requirements of Section 3 of the Annual Report Instructions and is considered an integral part of this filing.

If you have questions regarding this matter, please feel free to contact me at (510) 471-3434.

Sincerely,

DocuSigned by:

15B88602FC9349E...

Gary Charland, JD
President and Chief Executive Officer
Masonic Homes of California

**Masonic Homes of California
Continuing Care Contract Annual Report
Part 2**

**FORM 1-1
RESIDENT POPULATION**

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	195
[2]	Number at end of fiscal year	200
[3]	Total Lines 1 and 2	395
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	198
All Residents		
[6]	Number at beginning of fiscal year	222
[7]	Number at end of fiscal year	218
[8]	Total Lines 6 and 7	440
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of all residents	220
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.90

**FORM 1-2
ANNUAL PROVIDER FEE**

Line		TOTAL
[1]	Total Operating Expenses	\$46,054,588
[a]	Depreciation	\$4,207,083
[b]	Debt Service (Interest Only)	\$1,006,716
[2]	Subtotal (add Line 1a and 1b)	\$5,213,799
[3]	Subtract Line 2 from Line 1 and enter result.	\$40,840,789
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	90%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$36,756,710
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$36,757

PROVIDER: Masonic Homes of California
COMMUNITY: Union City

**FORM 1-1
RESIDENT POPULATION**

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	61
[2]	Number at end of fiscal year	59
[3]	Total Lines 1 and 2	120
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	60
All Residents		
[6]	Number at beginning of fiscal year	62
[7]	Number at end of fiscal year	60
[8]	Total Lines 6 and 7	122
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of all residents	61
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.98

**FORM 1-2
ANNUAL PROVIDER FEE**

Line		TOTAL
[1]	Total Operating Expenses	\$9,466,853
[a]	Depreciation	\$1,245,584
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$1,245,584
[3]	Subtract Line 2 from Line 1 and enter result.	\$8,221,269
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	98%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$8,056,844
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$8,057

PROVIDER: Masonic Homes of California
COMMUNITY: Covina

**Masonic Homes of California
Continuing Care Contract Annual Report
Part 3**



Grand Lodge Free & Accepted Masons of California and Masonic Homes of California

April 1, 2021 to April 1, 2022

Insurance Summary at a Glance

Property Policy – AIG Specialty Insurance Co. Policy No. 044869155

Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations

Policy Limit	\$ 200,000,000
Maximum Amount payable - Halls Only	130% of stated value
Buildings & Personal Property	Incl in Policy Limit
SUBLIMITS (see policy for full sublimits and terms)	
Electronic Data Processing Equipment*	\$ 1,500,000
Extra Expense*	\$ 10,000,000
Civil Authority	30 days, subj to \$2.5M and 2 mile maximums
Equipment Breakdown / Boiler & Machinery	\$ Included
Earthquake Sprinkler Leakage	\$ Included
Errors & Omissions*	\$ 3,500,000
Accounts Receivable*	\$ 1,000,000
Contingent Time Element*	\$ 500,000
--No Cov for Earth Movement/Flood/Named Storm	
Valuable Papers*	\$ 1,000,000
FINE ARTS:	
Endomosaic Window at Grand Lodge*	\$ 4,000,000
Framed Mosaic Emile Norman at Grand Lodge*	\$ 190,000
Antique Windows- Acacia Creek & Stained Glass	
Windows in Seminoff Chapel*	\$ 500,000
Stained Glass Window above the stairway at the entrance of Masonic Homes*	\$ 150,000
Angel of Grief at Chapel of Chimes Cemetery	\$ 125,000
Total Fine Arts incl Paraphernalia (\$1M per occur \$100,000 Maximum Any One Item)* Policy Limit.....	\$ 6,000,000
Newly Acquired Real & Personal Prop. (90 Days)* ..	\$ 3,500,000
--No cov for Earth Movement/Flood/Named Storm	
Demolition & Increased Cost of Construction*	
Undamaged portion due to building ordinance	\$ 10,000,000
Demolition due to building ordinance	\$ 10,000,000
Increased cost due to building ordinance	\$ 10,000,000
Rental Value	\$ 20,000,000
Terrorism	Declined
Time Element Gross Earnings	\$ 100,000,000
Transit*	\$ 1,000,000
Sewer Back-up (GL/MH/AC/MCYF)	Combined w/annual Agg Flood Limit
Sewer Back-up (Halls)*	\$ 100,000
Outdoor Property	
Grand Lodge Properties	\$ 1,000,000
All other locations	\$ 100,000
Buildings and Additions Under Construction*	\$ 1,500,000
Soft Costs limited to \$1,000,000 within sublimit	
Earth Movement and Flood*	\$ 20,000,000
(GL-SF, MH, MHCY&F only)	
Miscellaneous Unnamed Locations	\$ 3,500,000
-- No cov for Earth Movement/Flood/Named Storm	
Deductibles	
Grand Lodge Properties	\$ 100,000
All other Locations	\$ 25,000
Time Element	24 Hours
Earth Movement and Flood	5% min \$100,000
Earthquake Sprinkler Leakage	
Grand Lodge Properties	\$ 100,000
Halls	\$ 25,000
Total Insured Values	\$ 964,341,152
Premium:	\$ 1,964,315
TRIA Rejected	plus taxes and fees

*Sub-limits are included and not in addition to the policy limit.
Note that all limits and sublimits for halls are subject to the values reported, plus the margin clause.

Property Terrorism – Hiscox Lloyd's of London (Non-Admitted) Policy No. UTS2551103.21

Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations

Policy Limit	
Per Occurrence & Aggregate	\$ 125,000,000
Deductible	\$ 25,000
Active Shooter and Malicious Attack	
Policy Limit	\$ 1,000,000 occ /agg
Deductible	\$ 0
Refer to policy for additional sublimits	
Premium:	\$ 44,378 plus taxes
Total Insurable Values	\$ 966,148,093

DIC (Earth Movement/Flood) – Acacia Creek Only

VICKO: Underwriters at Lloyd's Policy No. VH252100540

Policy Limit	\$ 10,000,000
Building Ordinance Sub Limit	\$ 2,000,000
Deductible	5% per unit/min \$100,000
	\$ 100,000 Flood
	\$ 25,000
	All Other Perils
Premium:	\$ 129,910 plus taxes
Inspection CAT/Policy Fees	\$ 300
TRIA Rejected	

ARROWHEAD: 15% General Security Indemnity Co. of AZ Pol No. TR0001486-10397-21 85% Mercer Insurance Policy No. ARH00000952

Policy Limit	\$ 10,000,000 excess
	\$ 10,000,000
Deductible	5% per unit/min \$100,000
	\$ 100,000 Flood
	\$ 25,000
	All Other Perils
Premium:	\$ 78,750 plus taxes
Inspection CAT/Policy Fees	\$ 600
TRIA Rejected	

A business of Marsh McLennan

This Schedule of Insurance represents a synopsis of coverage and is provided as a reference only. The actual policy, including endorsements determines coverage. It contains exclusions, limitations and other provisions not referenced (or only briefly summarized) here and the policy should be consulted for full coverage terms, conditions and requirements.



Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2021 to April 1, 2022
Insurance Summary at a Glance

<u>Business Automobile</u> <u>Travelers Indemnity Company of Connecticut</u> <u>Policy No. 810-1N478093-21-43-G</u> <u>Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations</u> <u>Halls covered for Non-Owned/Hired Only</u>	
Combined Auto Liability Single Limit	\$ 1,000,000
Auto Medical Payment Each Person	\$ 5,000
Uninsured Motorists	\$ 1,000,000
Physical Damage	Actual Cash Value
Deductibles	
Comprehensive / Collision	\$ 1,000
Buses over 21 Passenger	\$ 2,500
Comp./Collision for Non-Owned/Hired	\$ 1,000
Number of Vehicles	23
Premium:	\$ 110,840
TRIA Not Applicable	

<u>General Liability (Grand Lodge & Halls)</u> <u>Travelers Property Casualty Company of America</u> <u>Policy No.: 660-2N038269-TIL-21</u> <u>Covers Grand Lodge & Halls Only</u>	
General Liability	
General Aggregate	\$ 2,000,000
Per Location Aggregate	\$ 2,000,000
Subject to Annual Policy Aggregate	\$ 15,000,000
Products/Completed Operations Aggregate	\$ 2,000,000
Each Occurrence	\$ 1,000,000
Liquor Liability included	
Personal & Advertising Injury	\$ 1,000,000
Damage To Premises Rented To You	\$ 1,000,000
Medical Expense	\$ 5,000
Abuse or Molestation	\$ 1,000,000
Aggregate and Offense Limit	
Premium (Adjustable):	\$ 327,794
Employee Benefits (Claims Made)*	
Each Employee	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Deductible	\$ 0
Retroactive Date	7/1/2000
Premium:	\$ 328
TRIA Purchased	
*Employee Benefits Liability not applicable to Halls	

<u>Workers' Compensation</u> <u>Travelers Property Casualty Company of America</u> <u>Policy No.: UB-1S105162-21-43-G</u> <u>California Mason Foundation</u>	
Workers Compensation	Statutory
Employers Liability	\$ 1,000,000
Deductible	\$ 0
Estimated Annual Payroll	\$ 741,939
Estimated Annual Premium (Fixed Costs):	\$ 4,619
TRIA Included includes surcharges	

<u>Umbrella Liability</u> <u>Covers Grand Lodge and Hall Associations for General Liability</u> <u>Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations for Auto</u> <u>Covers Grand Lodge/Masonic Homes/Acacia Creek for E/L</u>	
<u>Travelers Property Casualty Company of America</u> <u>Policy No.: CUP-3N790535-21-43</u>	
Each Occurrence	\$ 5,000,000
General Aggregate	\$ 5,000,000
Crisis Management Coverage	\$ 50,000
Self-Insured Retention	\$ 0
Premium:	\$ 1,420
Comprehensive / Collision	\$ 1,000
Buses over 21 Passenger	\$ 2,500
Comp./Collision for Non-Owned/Hired	\$ 1,000
Number of Vehicles	23
Premium:	\$ 110,840
TRIA Not Applicable	

<u>American Fire and Casualty Co.</u> <u>Policy No.: ECA(22)62992251</u>	
Each Occurrence	\$ 5,000,000
General Aggregate	\$ 5,000,000
Premium:	\$ 40,000
TRIA Purchased	

<u>Workers' Compensation</u> <u>Travelers Property Casualty Company of America</u> <u>Policy No.: UB-2N050154-21-43-G</u> <u>Covers Grand Lodge</u>	
Workers Compensation	Statutory
Employers Liability	\$ 1,000,000
Deductible	\$ 0
Estimated Annual Payroll (Grand Lodge Only)	\$ 9,984,327
Estimated Annual Premium:	\$ 41,153
TRIA Included includes surcharges	
Halls Associations <u>not</u> covered	

<u>Workers' Compensation</u> <u>Travelers Property Casualty Company of America</u> <u>Policy No.: UB-1N590020-21-51-K</u> <u>Masonic Homes/Acacia Creek</u>	
Workers Compensation	Statutory
Employers Liability	\$ 1,000,000
Deductible (MH/AC Only)	\$ 250,000
Maximum Loss Content	\$ 1,625,000
Estimated Annual Payroll	\$ 27,917,661
Estimated Annual Premium (Fixed Costs):	\$ 283,391
TRIA Included includes surcharges	

A business of Marsh McLennan

This Schedule of Insurance represents a synopsis of coverage and is provided as a reference only. The actual policy, including endorsements determines coverage. It contains exclusions, limitations and other provisions not referenced (or only briefly summarized) here and the policy should be consulted for full coverage terms, conditions and requirements.



Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2021 to April 1, 2022
Insurance Summary at a Glance

Fiduciary Liability – Great American Ins. Co.
Policy No. FDP6660691 (Claims Made)
Covers Grand Lodge/Masonic Homes/Acacia Creek

Limit of Liability	\$ 5,000,000
Pending or Prior Date	1/1/1987
Retention – Insured Persons Non-Indemnifiable	\$ 0
Retention – Company, Plan or IP for Indemnifiable ..	\$ 10,000
Premium:	\$ 11,300
TRIA Included	

Directors & Officers Liability incl. EPLI and Crime (Grand Lodge)
Federal Ins. Co. - Policy No. 8208-1512 (Claims Made)
Covers Grand Lodge, Masonic Homes, Acacia Creek, California Masonic Memorial
Temple, California Masonic Foundation, Nob Hill Masonic Center and all constituent
lodges

Directors & Officers Liability:

Combined Maximum Aggregate D&O/EPLI	\$ 3,000,000
D&O Limit of Liability / Agg. Incl Defense Costs	\$ 3,000,000
Retention (Grand Lodge)	\$ 250,000
Retention (Individual Lodges)	\$ 25,000
Pending/Prior Date:	Various
Employers Practices Liability:	\$ 3,000,000
Limit of Liability / Aggregate	
Retention (Grand Lodge)	\$ 250,000
Retention (Individual Lodges)	\$ 25,000
Retention LA, Orange, Ventura Counties	\$ 250,000

Pending/Prior Date	7/1/97
Crime:	
Forgery Coverage	\$ 2,000,000
Premises Coverage	\$ 2,000,000
Transit Coverage	\$ 2,000,000
Computer Fraud/Funds Transfer Fraud	\$ 2,000,000
Money Orders/Counterfeit Paper Currency	\$ 2,000,000
Social Engineering	\$ 50,000
Retention	\$ 100,000

Premium:	\$ 224,976
TRIA Included	
Capping of Limits with Halls policy 8208-1493	

Directors & Officers Liability incl. EPLI and Crime (Hall Associations)
Federal Ins. Co. - Policy No. 8208-1493 (Claims Made)
Covers Hall Associations Only

Directors & Officers:

Limit of Liability / Aggregate Incl Defense Costs	\$ 1,000,000
Retention	\$ 75,000
Pending/Prior Date	8/1/05

Employers Practices Liability:

Limit of Liability / Aggregate	\$ 1,000,000
Retention	\$ 250,000
Retention LA, Orange, Ventura Counties	\$ 100,000
Pending/Prior Date	8/1/05

Crime

Premises Coverage	\$ 1,000,000
Transit Coverage	\$ 1,000,000
Computer Fraud/Funds Transfer Fraud	\$ 1,000,000
Money Orders/Counterfeit Paper Currency	\$ 1,000,000
Retention – Hall Associations	\$ 100,000

Cyber Liability
Grand Lodge, Masonic Homes, Acacia Creek
\$3M Primary – North American Capacity Ins. Co. 45%
Arch Specialty Ins. Co. 30%
Peleus Ins. Co. 25%
Policy No: CCP1022543-00
\$2M xs \$3M Hudson Excess Ins. Co. Policy No.: CXS10229852-00
Total Aggregate Limit of Liability \$ 5,000,000

Third Party Coverage:

Multi Media Content Liability	\$ 5,000,000
Network and Information Security Liability	\$ 5,000,000
Retention	\$ 25,000

First Party Coverage:

Breach Response	\$ 5,000,000
Business Interruption and Extra Expense	\$ 5,000,000
Crisis Management and Public Relations	\$ 5,000,000
Contingent Business Interruption Loss	\$ 5,000,000
Digital Asset Restoration	\$ 5,000,000
Cyber Extortion Threat	\$ 5,000,000
PCI Fines and Assessments	\$ 5,000,000
Reputation Repair	\$ 5,000,000
Regulatory Defense and Penalties	\$ 5,000,000
Computer Replacement	\$ 4,500,000
Reputational Harm Loss	\$ 2,000,000
Funds Transfer Fraud	\$ 750,000
Service Fraud	\$ 200,000
Reward Payment Limit	\$ 50,000
Retention	\$ 25,000
Waiting Period Business Interruption	8 hours
Contingent Business Interruption	8 hours

Total Annualized Premium:	\$ 31,970 plus taxes
TRIA Included	
Coverage is not provided for Lodges and Halls	

Masons of California – TULIP Program
Atlantic Specialty Insurance Company
Policy No: General Liability: GL01391-12

General Liability

Each Occurrence Limit:	\$ 1,000,000
Products Completed Operations Aggregate Limit	\$ 1,000,000
Personal & Advertising Injury Aggregate Limit	\$ 1,000,000
Fire Damage (Any One Fire)	\$ 50,000
Medical Expenses Limit	Excluded
General Aggregate Limit	None

Liquor Liability – Each Common Cause	\$ 1,000,000
Liquor Liability – Each Declared Event	\$ 1,000,000

Premium:	\$ Paid by Lessors
TRIA Included	

Masons of California – TULIP Program
Atlantic Specialty Insurance Company
Policy No: Property: PF00622-11

Property:

Third Party Property Damage	\$ 1,000,000
Third Party Property Damage - Deductible	\$ 1,000

Premium:	\$ Paid by Lessors
TRIA Included	

Employed Lawyers Professional Liability – Federal Ins. Co.
Policy No. 8247-1101

A business of Marsh McLennan

This Schedule of Insurance represents a synopsis of coverage and is provided as a reference only. The actual policy, including endorsements determines coverage. It contains exclusions, limitations and other provisions not referenced (or only briefly summarized) here and the policy should be consulted for full coverage terms, conditions and requirements.



Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2021 to April 1, 2022
Insurance Summary at a Glance

Covers Grand Lodge

Maximum Aggregate Limit.....	\$	1,000,000
Retentions: Individual Indemnified	\$	5,000
Non-Indemnified.....	\$	0
Pending/Prior Date		3/03/2016
Premium:	\$	3,052

A business of Marsh McLennan

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Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2021 to April 1, 2022
Insurance Summary at a Glance

Masonic Homes – General Liability & Professional Liability - Lloyds
(Non-Admitted)

Policy No. B0509FINPH2150013 (Claims Made)
Covers Masonic Homes Only

Professional Liability Per Claim Limit	\$	5,000,000
Professional Liability in the Aggregate Annual Limit ..	\$	5,000,000
General Liability Per Claim Limit	\$	5,000,000
General Liability in the Aggregate Limit	\$	5,000,000
Products/Completed Ops. Aggregate Limit	\$	1,000,000
Fire Damage Limit	\$	100,000
Medical Expense		Excluded
Subject to an Overall Aggregate Limit of	\$	5,000,000
Self Insured Retention Each Medical Incident	\$	500,000
Retroactive Date (Adult Homes)		7/1/2002
Retroactive Date (Sexual Abuse & Childrens Hm PL) ...		
\$3M occurrence/\$5M aggregate		7/1/2003
\$5M occurrence/\$5M aggregate		4/1/2009
Retroactive Date (Childrens Hm GL)		4/1/2009
Retroactive Date (Acacia Creek)		2/15/2010
Sexual Abuse Coverage		Included

Premium: \$ **265,650 plus taxes**
Terrorism Rejected

Masonic Homes – Excess General Liability & Professional Liability -
Lloyds (Non-Admitted)

Policy No. B0509FINPH2150014 (Claims Made)
Covers Masonic Homes Only

Per Claim Limit	\$	5,000,000
In the Annual Aggregate Limit	\$	5,000,000
Excess Of		\$5M / \$5M
Excess of Self Insured Retention	\$	500,000
Sexual Abuse Coverage		Included
Retroactive Date (For Increased Limits)		4/1/11

Additional retroactive dates as per primary
Premium: \$ **56,700 plus taxes**
Terrorism Rejected

Masonic Homes – Terrorism Liability - Lloyds

Policy No.: UTS2543922.21(Non-Admitted)
Covers Masonic Homes Only

Each occ & in the agg for all coverages combined ...	\$	10,000,000
Deductible	\$	25,000

Premium: \$ **15,115 plus taxes**

MCYF - General Liability & Professional Liability
Lexington Ins. Co. (Non-Admitted)

Policy No. 6796873 (PL Claims-Made/GL Occurrence)
Covers Masonic Center for Youth & Families Only

Professional Liability Each Medical Incident Limit	\$	1,000,000
Professional Liability Aggregate Limit	\$	3,000,000
Sexual Misconduct		Included
General Liability – Each Occurrence Limit	\$	1,000,000
General Liability – General Aggregate	\$	3,000,000
Products/Completed Ops. Aggregate	\$	1,000,000
Personal/Advertising Limit	\$	1,000,000
Fire Damage	\$	50,000
Deductible		None
Retroactive Date		10/1/2010

Premium: \$ **22,000 plus taxes**
Terrorism Included

MCYF – Excess General Liability & Professional Liability
Lexington Ins. Co. (Non-Admitted)

Policy No. 6796874
Covers Masonic Center for Youth & Families Only

Each Medical Incident/Occurrence:	\$	5,000,000
General Aggregate Limit	\$	5,000,000
Excess Of	\$	1M / 3M
Sexual Abuse Coverage		Included

Premium: \$ **38,000 plus taxes**
Terrorism Included

Acacia Creek – General Liability & Professional Liability – Illinois Union
(Non-Admitted)

Policy No. HPLG23639154011 (Claims Made)
Covers Acacia Creek Only

Professional Liability Per Incident Limit	\$	1,000,000
Professional Liability Aggregate Limit	\$	3,000,000
Abuse and Molestation SubLimit/Aggregate	\$	1,000,000
Liquor Liability – Each Common Cause/Agg	\$	1,000,000
General Liability – Each Occurrence Limit	\$	1,000,000
General Liability – General Aggregate	\$	3,000,000
Products/Completed Ops. Aggregate	\$	1,000,000
Personal/Advertising Limit	\$	1,000,000

Deductible

	\$	25,000
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Retroactive Date

		2/15/2010
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Premium: \$ **92,177 plus taxes**
TRIA Included

Acacia Creek – Excess General Liability & Professional Liability – Illinois
Union (Non-Admitted)

Policy No. XHLG23639166011 (Claims Made)
Covers Acacia Creek Only

Each Loss Event	\$	4,000,000
Aggregate Limit	\$	4,000,000
Excess Of	\$	Underlying

Abuse and Molestation

		Included
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Premium: \$ **85,170 plus taxes**
TRIA Included



Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2021 to April 1, 2022
Insurance Summary at a Glance

Builders Risk Policy – Lexington Insurance Co.

Policy No. 020715748

Policy Term: 02/26/2018-09/26/2019 extended to 7/1/2020

New Construction at 1650 E Old Badillo Street, Covina, CA

Policy Limit	\$	26,296,000
Hard Costs.....	\$	24,296,000
Soft Costs.....	\$	2,000,000
Transit.....	\$	5,000,000
Offsite Temporary Storage	\$	10,000,000
Demolition and ICC	\$	5,000,000
Interior Water Damage	\$	26,296,000
Earth Movement and Flood.....	\$	10,000,000
 <i>Deductibles Physical Loss.....</i>	 <i>\$</i>	 <i>10,000</i>
Water Damage/Flood	\$	50,000
Delay in Completion	\$	30 days
Earth Movement	\$	5% of values at time of loss Subject to min of \$250,000
 Total Insured Values	 \$	 26,296,000
 Revised Term Premium:	 \$	 101,038
 <i>Extensions / Additional Premiums</i>		
 7/1/20 to 12/18/20	 \$	 24,368
 12/18/20 – 4/21/21	 \$	 20,509
 4/21/21 – 5/14/21	 \$	 3,804

*Sub-limits are included and not in addition to the policy limit.

OCIP 2nd Excess Liability – Great American

Policy No. EXC2068855

Policy Term: 12/27/2017-12/27/2021

Construction Project at 1650 E Old Badillo Street, Covina, CA

Combined Single Limit Each Occ/Aggregate	\$	10,000,000
 <i>Excess of underlying Lead Excess Liability limits and excess of Primary General Liability limits</i>		
 Premium	 \$	 40,000

OCIP General Liability – First Mercury Insurance Co

Policy No. 1335205

Policy Term: 12/27/2017-12/27/2021

Construction Project at 1650 E Old Badillo Street, Covina, CA

Each Occurrence.....	\$	2,000,000
Personal and Advertising	\$	1,000,000
General Aggregate	\$	4,000,000
Products and Completed Ops	\$	4,000,000
Damage to Premises Rented to you	\$	50,000
Medical Payments	\$	Excluded
 Deductible.....	 \$	 25,000
 Premium (Includes TRIA).....	 \$	 110,250

Covers Owner and all enrolled contractors.

OCIP Lead Excess Liability – Everest National

Policy No. XC5EX00319171

Policy Term: 12/27/2017-12/27/2021

Construction Project at 1650 E Old Badillo Street, Covina, CA

Each Occurrence.....	\$	20,000,000
Annual Aggregate.....	\$	20,000,000
Products/Completed Ops Aggregate.....	\$	20,000,000

Excess of Primary General Liability Limits

 Premium	 \$	 93,153
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A business of Marsh McLennan

This Schedule of Insurance represents a synopsis of coverage and is provided as a reference only. The actual policy, including endorsements determines coverage. It contains exclusions, limitations and other provisions not referenced (or only briefly summarized) here and the policy should be consulted for full coverage terms, conditions and requirements.

**Masonic Homes of California
Continuing Care Contract Annual Report
Part 4**



*Report of Independent Auditors and
Consolidated Financial Statements with Supplementary Information*

Masonic Homes of California and Subsidiaries

*October 31, 2021,
with summarized comparative information for October 31, 2020*

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Report of Independent Auditors

To the Audit Committee
Masonic Homes of California and Subsidiaries

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Masonic Homes of California and Subsidiaries (collectively, the “Organization”), which comprise the consolidated statements of financial position as of October 31, 2021, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonic Homes of California and Subsidiaries as of October 31, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements, from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial information as of and for the years ended October 31, 2021 and 2020, included in the accompanying consolidating statements of financial position, consolidating statements of activities and changes in net assets, and consolidating statements of cash flows for the years ended October 31, 2021 and 2020, presented as supplementary information, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting, and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matters – Other Information

The summarized information for the years ended October 31, 2021 and 2020, included in the accompanying supplemental schedule of supporting services expenses for the years ended October 31, 2021 and 2020, all presented as supplementary information, is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The image shows a handwritten signature in dark ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
February 24, 2022

Consolidated Financial Statements

Masonic Homes of California and Subsidiaries
Consolidated Statements of Financial Position
October 31, 2021
(With Summarized Comparative Information as of October 31, 2020)
(In Thousands)

	Without Donor Restriction	With Donor Restrictions	2021 Consolidated	2020 Total Comparative Totals Only
Assets				
Current assets				
Cash and cash equivalents - unrestricted	\$ 12,365	\$ -	\$ 12,365	\$ 12,250
Funds held for residents	1,077	-	1,077	1,002
Receivables, net	3,646	-	3,646	2,871
Prepaid expenses and other assets	4,186	-	4,186	4,233
Current portion of related party receivable	306	540	846	617
Assets held for sale	362	-	362	217
Total current assets	21,942	540	22,482	21,190
Investments, at fair value	928,472	165,358	1,093,830	918,538
Long term portion of related party receivable	-	535	535	867
Property and equipment, net	228,006	-	228,006	200,978
Assets held in trusts	-	13,834	13,834	12,011
Funds held for prospective residents	539	-	539	373
Other assets	663	-	663	822
Total assets	\$ 1,179,622	\$ 180,267	\$ 1,359,889	\$ 1,154,779
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 4,816	\$ -	\$ 4,816	\$ 5,779
Accrued payroll and benefits payable	3,280	-	3,280	3,382
Current portion of long-term debt	5,615	-	5,615	55,362
Liability for funds held for residents	1,077	-	1,077	1,002
Related parties payable	401	-	401	4
Total current liabilities	15,189	-	15,189	65,529
Liability to beneficiaries of split-interest agreements	-	2,521	2,521	2,357
Long term-debt, net	131,839	-	131,839	87,592
Liability for funds held for prospective residents	539	-	539	373
Refundable advance fees	38,730	-	38,730	38,172
Deferred revenue	18,949	-	18,949	20,185
Total liabilities	205,246	2,521	207,767	214,208
Net assets	974,376	177,746	1,152,122	940,571
Total liabilities and net assets	\$ 1,179,622	\$ 180,267	\$ 1,359,889	\$ 1,154,779

Masonic Homes of California and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets
Year Ended October 31, 2021
(With Summarized Comparative Information for the Year Ended October 31, 2020)
(In Thousands)

	Without Donor Restriction	With Donor Restriction	Year Ended October 31, 2021 Consolidated	Year Ended October 31, 2020 Comparative Totals Only
Public Support and Revenue				
Contributions	\$ 19	\$ 1,364	\$ 1,383	\$ 437
Bequests and memorials	689	2,606	3,295	7,077
Amortization of deferred revenue	2,103	-	2,103	2,409
Amount received from pensions assigned by residents	5,341	-	5,341	5,548
Investment income	11,768	168	11,936	6,791
Net realized gains on investments	64,272	532	64,804	2,201
Net unrealized gains on equity investments	88,436	-	88,436	9,258
Fee for service	9,140	-	9,140	9,808
Health service revenue	6,711	-	6,711	7,084
Royalty and other income	4,748	-	4,748	6,066
Change in value of split-interest agreements	-	2,416	2,416	(691)
Net assets released from restriction	2,378	(2,378)	-	-
Total public support and revenue	195,605	4,708	200,313	55,988
Expenses				
Program				
Operation of Acacia Creek and Masonic Homes	58,421	-	58,421	58,985
Masonic Outreach Services	5,500	-	5,500	6,181
Masonic Center for Youth and Families	3,982	-	3,982	4,099
Scholarship	207	-	207	61
Total program expenses	68,110	-	68,110	69,326
Supporting services				
Marketing	404	-	404	388
Fundraising	989	-	989	952
Administration/shared services	7,372	-	7,372	7,347
Total supporting services expenses	8,765	-	8,765	8,687
Total expenses	76,875	-	76,875	78,013
Excess (deficit) of revenues over expenses before other changes in net assets	118,730	4,708	123,438	(22,025)
Net unrealized gain on investments	86,378	1,734	88,112	13,306
Change in net assets	205,108	6,442	211,550	(8,719)
Net assets at beginning of year	769,268	171,304	940,572	949,290
Net assets at end of year	\$ 974,376	\$ 177,746	\$ 1,152,122	\$ 940,571

See accompanying notes.

Masonic Homes of California and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended October 31, 2021 and 2020
(In Thousands)

	Year Ended October 31, 2021	Year Ended October 31, 2020
Cash flows from operating activities		
Contributions and bequests received	\$ 4,378	\$ 6,530
Net proceeds from assigned assets	1,739	24
Amounts received from assigned assets	5,341	5,548
Net proceeds from sale of resident assets	(70)	639
Investment income received	11,937	6,791
Fee for service	9,140	9,808
Health service revenue	6,810	7,168
Royalty and other income	3,055	4,917
Cash paid for expenses	(69,150)	(68,915)
Net proceeds from split-interest agreements, charitable gift annuity, and pooled income fund	756	(13)
Net cash used in operating activities	(26,064)	(27,503)
Cash flows from investing activities		
Net proceeds from sales of investments	102,480	136,212
Purchase of investments	(36,418)	(58,475)
Purchase of property and equipment	(35,168)	(47,960)
Net cash provided by investing activities	30,894	29,777
Cash flows from financing activities		
Cash received from residents subject to refund	2,458	4,926
Deposits refunded to residents	(1,688)	(2,542)
Contribution restricted for long term investments	300	982
Funds held for residents	(28)	36
Changes in other assets	(12)	(42)
Long-term debt proceeds	50,193	-
Long-term debt principal installment payment	(55,697)	(5,359)
Net cash used in financing activities	(4,474)	(1,999)
Net increase in cash, cash equivalents, and restricted cash	356	275
Cash, cash equivalents, and restricted cash, beginning of year	13,625	13,350
Cash, cash equivalents, and restricted cash, end of year	\$ 13,981	\$ 13,625
Supplemental cash-flow information		
Interest paid	\$ 1,431	\$ 2,038

Masonic Homes of California and Subsidiaries
Consolidated Statements of Cash Flows (continued)
Years Ended October 31, 2021 and 2020
(In Thousands)

	<u>Year Ended</u> <u>October 31, 2021</u>	<u>Year Ended</u> <u>October 31, 2020</u>
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ 211,550	\$ (8,719)
Adjustment to reconcile change in net assets to net cash used in operating activities		
Depreciation	8,156	8,138
Amortization of deferred revenue	(2,103)	(2,409)
Amortization due to death and withdrawal	(1,084)	(1,187)
Realized and unrealized gains on investments	(241,354)	(24,737)
Contribution restricted for long term investments	(300)	(982)
Changes in assets and liabilities		
Receivables, net	(775)	(74)
Prepaid expenses and other assets	205	(2,971)
Related parties receivable and payable	488	253
Assets held for sale	(146)	638
Assets held in trust	(1,821)	834
Funds held for residents and prospective residents	243	76
Accounts payable and accrued liabilities	(1,028)	3,765
Liability to beneficiaries of split interest agreements	165	(152)
Deferred revenue from assigned assets, net	1,740	24
Net cash provided by operating activities	<u>\$ (26,064)</u>	<u>\$ (27,503)</u>

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and organization – Masonic Homes of California (“Masonic Homes”), a California not-for-profit corporation, operates a home for adults in Union City, California, and a home for adults in Covina, California. Masonic Homes is supported by The Grand Lodge of Free and Accepted Masons of the State of California (the “Grand Lodge”) and members of the Masonic Fraternity in California.

Masonic Homes is the sole member of Acacia Creek, A Masonic Senior Living Community at Union City (“Acacia Creek – UC”). Masonic Homes and Acacia Creek – UC, serve the housing needs of the elderly with independent, assisted living, memory care, and skilled nursing.

Masonic Homes is subject to statutory reserve requirements. As of October 31, 2021, Masonic Homes’ reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

Principles of consolidation – The consolidated financial statements include the accounts of Masonic Homes of California and Acacia Creek – UC (collectively, the “Organization”). All significant inter-company accounts and transactions have been eliminated.

Comparative information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements as of and for the year ended October 31, 2020, from which the summarized information was derived.

Net asset classifications – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without donor restriction – without donor restriction net assets represent resources that are not subject to donor-imposed restrictions and are available to support Masonic Homes’ activities. The Board of Trustees has designated certain net assets without donor restrictions as operating reserves, capital replacement and development reserves, uninsured risk reserves, and strategic initiative reserves. As of October 31, 2021, and 2020, board-designated reserve funds consisted of the following:

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

	2021	2020
	(In Thousands)	(In Thousands)
Operating reserve fund	\$ 6,112	\$ 7,884
Capital reserve fund	6,969	6,963
Uninsured risk fund	12,245	14,404
Strategic reserve fund	1,308	1,014
Advanced care reserve fund	3,188	1,792
Total board-designated net assets	<u>\$ 29,822</u>	<u>\$ 32,057</u>

With Donor Restriction – with Donor restriction net assets represent contributions to be held in perpetuity as directed by the donor and contributions that are limited as to use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released and reported as without donor restriction. If a restriction is fulfilled in the same fiscal year in which the contribution was received, the contribution is reported as with donor restriction support and net assets are released from restrictions in that period.

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Estimates included in these consolidated financial statements relate to fair market value of investments, liability to beneficiaries of split-interest agreements in various charitable remainder trusts, fair market value of real and personal property assigned by residents at the date they are assigned, the useful lives of property and equipment, and allocations of functional expenses. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments – The carrying amounts reported in the accompanying consolidated statements of financial position for cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and related entities receivables and payables approximate fair value due to their short-term nature. Discussion on the fair value of financial instruments is included in Note 4.

Fair valuation process – The Organization determines fair value measurement policies and procedures for assets and liabilities under the supervision of the Investment Committee. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income, and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third-party information. In determining the reasonableness of the methodology, Masonic Homes evaluates a variety of factors that include a review of existing agreements, economic conditions, industry, and market developments. Certain unobservable inputs are assessed through review of contract terms while others are substantiated utilizing available market data, including, but not limited to, market comparable, qualified opinions, and discount rates and mortality tables for split-interest agreements.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Cash, cash equivalents, and restricted cash – Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of purchase, with the exception of cash and cash equivalents held in the endowment fund as investments, the use of which is restricted.

Funds held for residents and prospective residents include residents' accounts at Union City, Covina, and Acacia Creek – UC, which comprise of (a) deposits made by residents for a unit in Acacia Creek – UC, (b) unexpended portions of monthly allowances made to residents, or (c) other income earned by residents. A corresponding liability related to deposits, and the unexpended portion of monthly allowances is included reported as liability for funds held for residents (Note 2).

Cash and cash equivalents, and restricted cash consisted of the following as of October 31:

	2021	2020
	(In Thousands)	(In Thousands)
Operating cash	\$ 1,883	\$ 2,986
Money market	10,482	9,264
Funds held for residents and prospective residents	1,616	1,375
Total cash, cash equivalents, and restricted cash	<u>\$ 13,981</u>	<u>\$ 13,625</u>

Receivables, net – The Organization receives payment for health services from residents, insurance companies, Medicare, Medi-Cal, HMOs, and other third-party payors. As a result, the Organization is exposed to certain credit risks. The Organization manages its risk by regularly reviewing its accounts receivable and, on a periodic basis, evaluates its accounts receivable and establishes an allowance for uncollectible accounts, based on a history of past write-offs and collections. Past-due status is based upon the date of services provided. Uncollectible receivables are charged off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

Prepaid expenses – Prepaid expenses consist primarily of insurance premium prepayments.

Related-party receivable – As a part of the California Masonic Foundation fundraising campaign, the Organization has a grant receivable for the amounts designated by the grantors for the benefit of the Organization. The total receivable balance was \$1,381,000 and \$1,484,000 as of October 31, 2021 and 2020, respectively.

Assets held for sale – Assets held for sale consist primarily of tangible property received from residents, including residential real estate that is held for sale. Assets are recorded at 80% to 90% of estimated fair market value on the date of assignment with the intention of liquidating within 180 days.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Investments – Investments in common stocks, fixed income, and equity securities are stated at estimated fair market values based on quoted market prices. Investments received through gifts are recorded at estimated fair market values at the dates of donation. The fair value of alternative investments is recorded at the investment manager's Net Asset Value ("NAV"), as the managers have the greatest insight into the investments of their funds and the related industry, and have the appropriate expertise to determine the NAV. The Organization assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within the investment manager's audited consolidated financial statements as well as interim consolidated financial statements and fund manager communications, for the purposes of assessing valuation. Unrealized gains or losses that result from market fluctuations are recorded in the period in which such fluctuations occur. Realized gains or losses resulting from sales or maturities of securities are calculated on a cost basis.

Property and equipment – Property and equipment are carried at cost. Purchases of property and equipment amounting to \$1,000 and above are capitalized and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 50 years
Equipment	3 to 35 years
Furniture and fixtures	5 to 20 years
Vehicles	3 to 4 years

The Organization evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Measurement of the amount of impairment may be based on market values of similar assets or estimates of future discounted cash flows resulting from use and ultimate disposition of the assets. No asset impairment was recognized during the years ended October 31, 2021 and 2020.

Assets held in trusts – Assets held in trusts represent the assets used to satisfy the liability to beneficiaries of split-interest agreements. When a donor establishes a split-interest agreement where Masonic Homes is the trustee, the lump sum received by the donor is invested separately (Note 6).

Professional liability insurance – Masonic Homes insures for professional liability claims under an "occurrence policy." Masonic Homes primary and excess policies cover all occurrences that happen during the policy term up to \$10,000,000, subject to a \$500,000 self-insured retention. Acacia Creek policy covers all occurrences that happen during the policy term up to \$3,000,000, subject to a \$25,000 deductible and excess policy for each loss event up to \$4,000,000. Should these policies not be renewed or replaced with equivalent insurance, claims made outside of the policy period may be uninsured. Management's intention is to continue insuring for professional liability exposures at all times. Management is not aware of any pending claims that exceed the coverage limitations provided by the policy. Management is of the opinion that the impact, if any, of unknown claims is immaterial and any settlement would not have a material adverse effect on the Organization's financial position. Management's estimate of the Organization's liability for expected losses is based on historical claims experience. At this time there are no accruals for liability included in accounts payable and accrued liabilities, nor are any insurance receivables recorded in the consolidated financial statements of the Organization.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Workers' compensation insurance – The Organization insures for workers' compensation claims under an "occurrence policy" in compliance with the Workers' Compensation Law of the State of California. The policy covers all occurrences that happen during the policy term up to \$1,000,000, subject to a \$250,000 deductible per occurrence. Under California Law workers' compensation coverage must be carried by all employers, therefore, if this policy was not renewed, replacement coverage would need to be secured. There are no accruals for unreported claims accounts payable and accrued liabilities in the consolidated financial statements of the Organization. Under the program, the Organization pays its claims and costs falling under the \$250,000 deductible as incurred, and no accruals have been made nor reserves established in the consolidated financial statements of the Organization for any open claims that have not reached the \$250,000 deductible threshold. The Organization pays for claims and increases in reserves held by the insurance company on a quarterly basis, regardless of the policy year the claim was filed. Management is of the opinion that the impact, if any, of unreported claims or open claims is immaterial and would not have an adverse impact on the Organization's financial position.

Liability to beneficiaries of split-interest agreements

Deferred revenue from pooled income fund – Deferred revenue from pooled income fund represents the discount for future investment earnings on Masonic Homes' remainder interest in the Masonic Homes Pooled Income Fund (the "Pooled Income Fund") (Note 6). Masonic Homes has determined the amount deferred using the tax deduction methodology from Internal Revenue Service ("IRS") Publication 1457 tables, and a discount rate of 3.955% as of October 31, 2021 and 2020, respectively. Deferred revenue from the Pooled Income Fund included in liability to beneficiaries of split-interest agreements in the consolidated statements of financial position was \$183,000 and \$261,000 as of October 31, 2021 and 2020, respectively.

Liability to beneficiaries of charitable remainder trusts – Liability to beneficiaries of charitable remainder trusts represents the income beneficiaries' interest in various charitable remainder trusts of which Masonic Homes is the trustee (Note 6). The liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. Masonic Homes has determined the amount of the liability using the tax deduction methodology from IRS Publication 1457, Table S, or IRS Publication 1458, Table D, as applicable, and using a discount rate of 6.00% as of October 31, 2021 and 2020. Liabilities to beneficiaries of charitable remainder trusts included in liabilities to beneficiaries in the consolidated statements of financial position were \$1,782,000 and \$1,642,000 as of October 31, 2021 and 2020, respectively.

Other liabilities to beneficiaries of split-interest arrangements – Other liabilities to beneficiaries of split-interest agreements include charitable remainder trusts and other gift annuities for which the Organization is obligated. These arrangements included in liabilities to beneficiaries in the consolidated statements of financial position were \$556,000 and \$454,000 as of October 31, 2021 and 2020, respectively.

Obligation to provide future services to current residents – The Organization is required to accrue a liability in the consolidated financial statements to cover future services to current residents if deferred residency fees and future anticipated income are not sufficient to cover these costs. The interest rate used to estimate this liability was 3% as of October 31, 2021 and 2020, respectively. Management has determined that no such accrual is required in the accompanying consolidated financial statements.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Revenue recognition

Masonic Homes

Residency fees – The adult residents who enter Masonic Homes are required by a life-care agreement to assign 75% of their assets to Masonic Homes in exchange for continuing care for the remainder of their lives. In the event that a continuing care contract is canceled by the resident through withdrawal within the first 90 days of residency, the resident is entitled to a pro-rata refund of all his or her assigned assets. As of October 31, 2021, and 2020, deferred revenues from assigned assets subject to refund, were \$167,540 and \$0, respectively. The life-care agreement creates a performance obligation to be satisfied over the remaining life of the resident at Masonic Homes.

Masonic Homes recognizes the revenue associated with the residency fee using a straight-line method over the actuarially determined estimated life of each resident. Resident life expectancies are reevaluated regularly and any changes in the revenue as a result of that reevaluation will be recognized in the period noted. As of October 31, 2021 and 2020, Masonic Homes had \$14,691,000 and \$15,251,000, respectively, in deferred revenue from residency fees to be recognized as the performance obligations are satisfied. See Note 7 for changes in the unearned residency fee revenue for the years ended October 31, 2021 and 2020. Any unamortized balance upon death of the individual resident or last survivor is recognized as income.

Health service revenue – Masonic Homes – Health service revenues are recognized in the month in which services are provided and collectability is reasonably assured. Health service revenue on the consolidated statements of activities and changes in net assets for assisted living and memory care of \$6,711,000 and \$7,084,000, for the years ended October 31, 2021 and 2020, respectively and is presented net of third-party rate adjustments. Other revenue is recognized as the related services are provided and includes guest services income, catering income, and other miscellaneous income.

Revenue for health services performance obligations satisfied over time is recognized on actual charges incurred. Masonic Homes believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the skilled nursing facility (“SNF”). Masonic Homes measures the performance obligation from admission into the SNF to the point when it is no longer required to provide health care services to the resident, which is typically at the time of discharge.

The SNF recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. The SNF has agreements with third-party payers that provide for payments to the Hospital facility at amounts different from its established rates. These payment arrangements include:

- Medicare: Inpatient nonacute care services Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical/ rehab, diagnostic, and other factors. The SNF is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the SNF and audits thereof by the Medicare administrative contractor.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

- **Medi-Cal:** Beginning July 1, 2013, inpatient non acute care services rendered to Medi-Cal program beneficiaries are reimbursed under a diagnostic related group ("DRG") methodology. Under this methodology, similar to Medicare, services were paid at prospectively a determined facility rates less resident share of costs.
- **Secondary insurance:** The SNF has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the SNF under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Masonic Homes provides health care services primarily to residents of its communities. Laws and regulations governing Medicare and Medi-Cal programs are complex and subject to interpretation. Masonic Homes believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Masonic Homes' historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2021 or 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Masonic Homes estimate the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident by resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to nursing center revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended October 31, 2021 and 2020, was not significant.

Fee for service revenue – Masonic Homes – Financially qualified adult residents may enter Masonic Homes by paying a monthly rental fee; such amounts vary with an option to pay an entrance fee. In the event of withdrawal, residents are refunded entrance fees ratably over the first 36 or 60 months.

Assigned retirement benefits – Resident retirement benefits that are assigned to Masonic Homes are recognized when received. These amounts are generally received in the form of annuity payments.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Acacia Creek – UC

Entrance fees – Acacia Creek – UC – The adult residents who enter and sign a Residence and Care Agreement are allowed a 90-day trial period during which the resident may leave the community at their discretion and receive, upon written notice, a refund of all fees less a reasonable processing fee and fees for the value of services rendered during occupancy. The majority of the adult resident entrance fees are refundable ranging from 50% to 100% upon the resident's death or termination of the agreement. Acacia Creek – UC is required to refund the entrance fees when the unit is re-sold. As of October 31, 2021 and 2020, entrance fees subject to refund were \$44,517,000 and \$44,652,000, respectively. The nonrefundable portion is amortized over the life of the resident and is included in deferred revenue.

Fee for service revenue – Acacia Creek – UC – Acacia Creek – UC offers a variety of living accommodations, fine amenities, a comprehensive wellness program, and several types of support and health care. Residents pay 1) a monthly fee, which varies according to the size and type of apartment selected and by the level of care needed, and 2) fees for optional services, if applicable.

Contributions – The Organization records contributions and unconditional promises to give in the period they are received in accordance with Accounting Standards Codification (“ASC”) 958-605, *Revenue Recognition*. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Recognition of donor-restricted contributions – Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Performance indicator – “Excess (deficit) of revenues over expenses before other changes in net assets” in net assets without donor restrictions as reflected in the accompanying consolidated statements of activities and changes in net assets is the performance indicator. Changes in net assets without donor restrictions, which are excluded from excess (deficit) of revenues over expenses, consistent with industry practice, includes unrealized gains and losses on investments.

Concentration of credit risk – Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of Securities Investor Protection Corporation insurance. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the consolidated financial statements. The risk associated with the investments is mitigated through diversification.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Tax-exempt status – Masonic Homes and Acacia Creek – UC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of California Revenue and Taxation Code and have been granted tax-exempt status by the IRS and the California Franchise Tax Board. Accordingly, no provision for income taxes is included in the consolidated financial statements.

New accounting pronouncements – During 2021, the Organization adopted the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to allow an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This pronouncement is effective for fiscal years beginning after December 15, 2019. The adoption did not have a material impact on the Organization’s consolidated financial statements.

During 2021, the Organization adopted the FASB issued ASU No. 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, to modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, including consideration of costs and benefits. This pronouncement is effective for fiscal years beginning after December 15, 2019. The adoption did not have a material impact on the Organization’s consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which simplifies the presentation of leases by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This pronouncement is effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of adoption on the consolidated financial statements which will be effective for the Organization for fiscal year 2022.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement of all expected credit losses for financial assets held based on historical experience, current conditions, and reasonable and supportable forecasts. This pronouncement is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of adoption on the consolidated financial statements which will be effective for the Organization for fiscal year 2023.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to provide guidance and ease potential burden in accounting for (or recognizing the effects of) reference rate reform on financial report stemming from the cessation of the London Interbank Offered Rate (“LIBOR”). This update is as of March 12, 2020, through December 31, 2022. Management is currently evaluating the impact of the provisions of the pronouncement on the consolidated financial statements.

Masonic Homes of California and Subsidiaries

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In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization's programs and other activities. This update is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. Management is currently evaluating the impact of adoption on the consolidated financial statements which will be effective for the Organization for fiscal year 2022.

NOTE 2 – FUNDS HELD FOR RESIDENTS AND PROSPECTIVE RESIDENTS

Funds held for residents consisted of the following as of October 31:

	2021 (In Thousands)	2020 (In Thousands)
Acacia Creek — UC	\$ 539	\$ 373
Masonic Homes Union City	223	238
Masonic Homes Covina	854	764
Total funds held for residents and prospective residents	<u>\$ 1,616</u>	<u>\$ 1,375</u>

NOTE 3 – INVESTMENTS

Investments are presented at fair value and consist of corporate stocks, fixed income securities, and institutional mutual funds that invest primarily in diversified portfolios of fixed income securities, corporate stocks, and real estate.

Investments consisted of the following as of October 31:

	2021 (In Thousands)	2020 (In Thousands)
Corporate stocks	\$ 273,201	\$ 226,092
Equity mutual funds	390,793	325,576
Alternative investments	137,507	141,610
Fixed income mutual funds	230,329	199,635
Private markets	62,000	25,625
Total investments	<u>\$ 1,093,830</u>	<u>\$ 918,538</u>

Corporate stocks – These are U.S. equity, non-U.S. equity, global equity, and emerging market equity stocks. The fund seeks stocks with fundamentals of strong earnings, a relative low cost structure and growth potential. A sell decision focuses on the changes or a decline in the three factors.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Equity mutual funds – These funds are comprised of both U.S. and Global Mutual Funds. The Organization's investment policy states the Organization believes the capital markets are “mean-reverting” by nature. Therefore, it adheres to long-term asset allocation strategies and periodic, regular rebalancing. The Organization believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

Alternative investments – These funds are comprised of Credit Long/Short, Real Estate, hedge funds, and Opportunistic Futures. The Organization's investment policy states that the Organization believes the capital markets are “mean-reverting” by nature. Therefore, it adheres to long-term asset allocation strategies and periodic, regular rebalancing. The Organization believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

Fixed income mutual funds – This is a PIMCO All Asset All Authority Fund. The fund seeks long-term real returns. The fund invests in actively managed PIMCO mutual funds, including developed and emerging bonds and stocks, real estate, commodities, and absolute-return oriented strategies.

Private markets – The Organization is working with their investment manager on a discretionary basis to build out a private markets portfolio. The investments represent a diversified range of strategies focused on numerous geographies and sectors.

Alternative investments are less liquid than the Organization's other investments. The following table summarizes these investments by investment strategy type at October 31:

		2021		2020
		(In Thousands)		(In Thousands)
Alternative investment strategy	Number of funds		Number of funds	
Real estate investment trust	1	\$ 14,734	1	\$ 16,580
Global Macro (caxton)	1	22,184	1	19,439
Credit Long / Short (caspian)	1	32,605	1	26,852
Opportunistic (bravo ii)	1	10,331	1	12,400
EM Macro (broad reach)	1	26,036	1	18,622
Structured Credit (400 capital)	1	31,617	1	24,261
Institutional Equities (renaissance)	-	-	1	23,456
Total alternative investments	6	<u>\$ 137,507</u>	7	<u>\$ 141,610</u>

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

The following table shows the gross unrealized losses and fair value of investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at October 31, 2021 and 2020:

2021						
(In Thousands)						
Less than 12 months		12 months or greater		Total		
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
Fixed income mutual funds	\$ -	\$ -	\$ 64,477	\$ (4,474)	\$ 64,477	\$ (4,474)
Equity mutual funds	-	-	-	-	-	-
Alternative investments	-	-	10,331	(1,466)	10,331	(1,466)
Total temporarily impaired investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,808</u>	<u>\$ (5,940)</u>	<u>\$ 74,808</u>	<u>\$ (5,940)</u>

2020						
(In Thousands)						
Less than 12 months		12 months or greater		Total		
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
Fixed income mutual funds	\$ -	\$ -	\$ 53,507	\$ (13,252)	\$ 53,507	\$ (13,252)
Equity mutual funds	44,052	(325)	11,541	(10,086)	55,593	(10,411)
Alternative investments	42,078	(2,217)	12,400	(4,632)	54,478	(6,849)
Total temporarily impaired investments	<u>\$ 86,130</u>	<u>\$ (2,542)</u>	<u>\$ 77,448</u>	<u>\$ (27,970)</u>	<u>\$ 163,578</u>	<u>\$ (30,512)</u>

The fair market value of these investments has declined due to a number of reasons, including changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other-than-temporary impairment under management's policy of evaluating securities for impairment. This review considers the severity and duration of the decline in market value, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded to investment income (loss) and a new cost basis in the investment is established. For the years ended October 31, 2021 and 2020, no securities were determined to be other-than-temporarily impaired.

NOTE 4 – FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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Notes to Consolidated Financial Statements

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Corporate stocks/mutual funds/assets held in trusts – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain real estate investments, and other less liquid securities using investment appropriate models like the income approach for real estate investments. For those assets held in trusts classified as Level 3, the fair value is based on the fair value of underlying investments and the Organization’s percentage of interest in the trusts.

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at October 31:

	2021			
	(In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Corporate stocks				
Domestic stocks	\$ 164,508	\$ 164,508	\$ -	\$ -
Foreign stocks	54,139	54,139	-	-
Equity mutual funds				
Domestic equity	18,620	18,620	-	-
Foreign equity	150,601	150,601	-	-
Fixed income mutual funds	76,807	76,807	-	-
Total Investments	464,675	464,675	-	-
Assets held in trust				
Corporate stocks				
Domestic stocks	395	-	-	395
Equity mutual funds				
Domestic stocks	5,042	3,166	-	1,876
Foreign stocks	2,240	1,561	-	679
Alternative investments	73	-	-	73
Fixed income mutual funds	5,698	4,696	-	1,002
Money market accounts	386	298	-	88
Total assets held in trust	13,834	9,721	-	4,113
Total	\$ 478,509	\$ 474,396	\$ -	\$ 4,113

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

	2020			
	(In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Corporate stocks				
Domestic stocks	\$ 135,170	\$ 135,170	\$ -	\$ -
Foreign stocks	45,503	45,503	-	-
Equity mutual funds				
Domestic equity	26,314	26,314	-	-
Foreign equity	121,503	121,503	-	-
Fixed income mutual funds	64,914	64,914	-	-
Total Investments	393,404	393,404	-	-
Assets held in trust				
Corporate stocks				
Domestic stocks	322	-	-	322
Equity mutual funds				
Domestic stocks	3,938	2,805	-	1,133
Foreign stocks	1,934	1,487	-	447
Alternative investments	84	-	-	84
Fixed income mutual funds	5,314	4,435	-	879
Money market accounts	419	324	-	95
Total assets held in trust	12,011	9,051	-	2,960
Total	\$ 405,415	\$ 402,455	\$ -	\$ 2,960

The following table presents assets recognized in the accompanying consolidated statements of financial position measured at net asset value ("NAV") at October 31:

	2021	2020
	(In Thousands)	(In Thousands)
Investments measured at NAV		
Corporate stocks		
Foreign stocks	\$ 54,553	\$ 45,418
Equity mutual funds		
Domestic equity (BGI, Kaspick)	109,195	87,508
Foreign equity (GMO, CG, Kas)	112,378	89,340
Alternative investments	137,507	141,610
Fixed income mutual funds	153,522	135,633
Private markets	62,000	25,625
Total	\$ 629,155	\$ 525,134

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Notes to Consolidated Financial Statements

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated financial statements using significant unobservable (Level 3) inputs:

	Asset Held in Trust
Balance, October 31, 2019	\$ 3,440
Total realized and unrealized gain and loss	
Included in changes in net assets with donor restrictions	(480)
Balance, October 31, 2020	2,960
Total realized and unrealized gain and loss	
Included in changes in net assets with donor restrictions	1,153
Balance, October 31, 2021	\$ 4,113

As required by ASC Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value.

The following table provides the fair value and redemption terms and restrictions for investments measured at NAV as of October 31, 2021 and 2020:

Fund Type	Fair Value (in thousands) October 31, 2021	Fair Value (in thousands) October 31, 2020	Unfunded Commitments (in thousands) October 31, 2021	Unfunded Commitments (in thousands) October 31, 2020	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Redemption Restriction
Corporate stocks							
Foreign stocks	\$ 54,553	\$ 45,418	\$ -	\$ -	Monthly	30 days	None
Equity mutual funds							
Domestic equity	109,195	87,508	-	-	Daily	1-5 days	None
Foreign equity	112,378	89,340	-	-	Daily, Monthly	0 days	None or minimum of \$250
Alternative investments							
Global Macro (Caxton Global Investment)	22,184	19,439	-	-	Quarterly	Quarterly	45 days, lock-up 1st year
Credit Long/Short (Caspian)	32,605	26,852	-	-	Quarterly	Quarterly	45 days
PIMCO Bravo II	10,331	12,400	-	-	n/a	n/a	n/a
Broad Reach	26,036	18,622	-	-	Quarterly	90 days	90 days
400 Capital	31,617	24,261	-	-	Quarterly	60 days	60 days
Real Estate (UBS TPF)	14,734	16,580	-	-	Quarterly	60 days	60 days
Renaissance	-	23,456	-	-	Monthly	30 days	30 days
Fixed income mutual funds	153,522	135,633	-	-	0-3 days	None	None
Private markets	62,000	25,625	44,298	39,312	n/a	n/a	n/a
	<u>\$ 629,155</u>	<u>\$ 525,134</u>	<u>\$ 44,298</u>	<u>\$ 39,312</u>			

Foreign stocks – This represents an investment in Acadian Non-US All Cap Equity (USD Hedged) Fund. The fund's objective is to seek long-term capital appreciation in investing primarily in common stocks of international issuers. This will include both large and small-cap issuers as well as opportunistic exposure to issuers in the emerging markets. Acadian uses a quantitative model to invest in all cap international value equity.

Domestic equity – These common trust funds are invested and reinvested primarily in a portfolio of equity securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the entire United States market for publicly traded equity securities. The criterion for selection of investments is the Dow Jones U.S. Total Stock Market Index.

Foreign equity – This category represents investments in Global Equity Long-Only Fund LP, and the Lindsell Train Global Equity Fund.

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The Global Equity Long-Only Fund LP's investment objective is to invest primarily in long-only portfolio of global equities. The Lindsell Train Global Equity Fund's primary objective is to protect the real value of clients' capital and income over time. The aim is to invest only in 'exceptional' companies that have that rare ability to grow the real value of their profits and cash flows over long periods of time. The investments are spread across global markets, and the objective of the underlying funds is to provide investors with capital appreciation and dividend income, while charging a lower expense fee than traditional mutual funds.

Alternative investments

Global Macro ("Caxton Global Investment") – The Fund's objective is capital appreciation. Its principal activity is trading in the international currency, financial, commodities and securities markets. The fund has a broad mandate to trade in all exchange and over-the-counter markets, and to trade in derivative products and other instruments. The fund pursues these activities through the investment of its capital in Caxton International Limited, a BVI business company, through Caxton Intermediate Fund L.P., a BVI international limited partnership, with the exception of certain short-term investments for cash management purposes, strategic investments, and currency hedging transactions with respect to T-Euro Shares, T-GBP Shares, T-AUD Shares, and T-JPY Shares respectively.

Credit Long/Short ("Caspian") – The investment objective of the Fund, the Intermediate fund, and the Master fund is to achieve long-term capital appreciation, on a favorable risk-adjusted basis, by applying a flexible and opportunistic approach to investing which involves evaluating the current attractiveness of various asset classes, including bank loans, bonds, equities, speculative investments, and cash equivalents, and investing its assets accordingly.

PIMCO Bravo II – An opportunistic residential and commercial credit strategy seeking to capitalize on the continued deleveraging and re-regulation of the financial system, with particular focus on bank disposition of assets for noneconomic reasons. The Fund seeks to earn long-term returns by acquiring discounted loans or structured credit tied to residential or commercial real estate markets in the U.S. or Europe, managing assets through restructuring, high-quality specialty servicing, and exerting operational control to extract additional value, purchasing assets with exposure to a potential U.S. housing recovery, and targeting uncrowded areas of global credit markets that fall in between public securities and private real estate markets.

Broad Reach Fund – The Fund will generally focus on seeking an enhanced risk adjusted return through capital appreciation within a macro investment framework, investing primarily in global macro opportunities with a focus on emerging markets securities and related derivatives, across the complete universe of FX, rates, credit and equity as well as commodities. The Fund expects to utilize discretionary macro processes, systematic macro processes and special situation macro processes and aims to deliver returns that are agnostic to the business cycle of emerging markets.

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400 Capital Credit Opportunities Fund – The Fund seeks to achieve high absolute returns with low volatility and low correlation to traditional fixed income and equity markets by investing in credit investments across credit sectors and throughout an issuer's capital structure with a primary focus on structured credit, which includes secured and structured commercial, consumer and corporate assets. The Fund may also pursue direct lending opportunities, including joint ventures with third parties and debt and/or equity investments in newly formed lending companies. Further, the Fund may use a variety of instruments to manage credit spread duration, interest rate duration and market volatility. The execution of the Investment Manager's strategy revolves around three core functions: (1) research and quantitative modeling, (2) portfolio and risk management, and (3) surveillance and loss mitigation.

Real Estate ("UBS TPF") – This is an investment in an actively managed core portfolio of equity real estate that seeks to provide attractive returns while limiting downside risk and has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over any given three-to-five-year period. The fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five-year period.

Renaissance Equity Fund – Renaissance Technologies, LLC, uses a quantitatively heavy, systematic process to invest long and short in equities. Renaissance has state-of-the-art infrastructure to collect vast amounts of data, which the team analyzes in order to identify market anomalies. The end goal of the strategy is to produce alpha by applying mathematical insights to the liquid, listed equities markets. Renaissance Equity Fund seeks to capitalize on market inefficiencies to produce a differentiated return stream with low volatility and a high Sharpe ratio.

Fixed income mutual funds – This category includes the following funds: Columbus Unconstrained Bond Fund, BlackRock US TIPS, and Wellington CTF Opportunistic. These are comingled funds with an investment strategy that invests across the fixed income spectrum, including TIPS, treasuries, investment grade and high yield credit, and asset backed securities. These funds are valued monthly.

Private markets – Commitments of \$42 million, split between private equity and private debt, were approved by the Investment Committee for 2021. In private equity, commitments of \$10 million to Whitehorse, \$6 million to IPI, \$1.71 million to 5Y Capital Evolution Fund I, \$1.29 million to 5Y Capital Evolution Fund II, \$5 million each to Bain Capital Fund XIII, Mill Point Capital I, and Tiger Infrastructure Partners III, and \$4 million each to Unicorn Partners Fund IV, and Bond Capital II were made. These commitments are in addition to \$5 million in commitments made in 2020, in private equity. Additional commitments will be made throughout the coming years to further diversify the portfolio by strategy and vintage year. Total unfunded commitment at October 31, 2021, was \$44.3 million. The investments can only be redeemed upon liquidation of the underlying assets of the funds. These Funds are illiquid, however, a secondary market exists.

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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of October 31:

	2021	2020
	(In Thousands)	(In Thousands)
Land and improvements	\$ 46,227	\$ 16,394
Buildings and improvements	247,220	246,781
Furniture and equipment	30,657	30,093
Construction in progress	80,715	76,383
Leasehold improvement	245	245
Total property and equipment	405,064	369,896
Less: accumulated depreciation	(177,058)	(168,918)
Property and equipment, net	\$ 228,006	\$ 200,978

Depreciation expense for the years ended October 31, 2021 and 2020, totaled \$8,156,000 and \$8,138,000, respectively.

The following disclosure is made pursuant to Section 1790 (a) (3) of the California Health and Safety Code. The Organization is in the process of a facility development project on its campuses in Union City and Covina, which would expand its service offering. On October 10, 2017, in accordance with the Internal Revenue Service Code Section 501(c)(3), Masonic Homes of California submitted an abbreviated COA application to the California Department of Social Services – Continuing Care Branch (“DSS”) in connection with its planned construction of a skilled nursing facility at its Covina, California community. DSS approved the construction project on November 16, 2017 and construction commenced thereafter. Consistent with its charitable mission to provide residential and other services to seniors, the purpose of this construction project is to develop a stand-alone health center, including 32 beds (28 units) of skilled nursing. This new health center will accommodate seniors who, currently, must be placed in off-campus programs to receive skilled nursing services. Memory care services will also be available in the skilled nursing facility. During the fiscal years ended October 31, 2021, Masonic Homes of California expended \$7,881,000 and \$5,972,000, respectively in pre-construction & construction costs in connection with this project, which included permitting fees and fees for architectural, engineering and other professional services as well as building construction hard costs. As of October 31, 2021, these costs have totaled \$34,539,000. The Masonic Homes has committed \$45 million toward this project.

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On April 30, 2020, Masonic Homes of California submitted an abbreviated COA application to DSS in connection with its proposed project to create additional assisted living and memory care capacity at its Union City, California Campus. DSS issued its approval on June 7, 2020. In addition, Masonic Homes is improving existing residential facilities at that Campus, and conducting significant repairs and enhancements to that Campus' landscaping and roadways. Consistent with its charitable mission to provide senior residential and related services, the purpose of the project is to both increase and enhance existing senior services by (i) constructing a two-story residential building which will include 28 memory care and assisted living units, and (ii) repairing and renovating existing residential buildings and other infrastructure. During the fiscal years ended October 31, 2021 and 2020, Masonic Homes of California expended \$24,197,000 and \$38,825,000, respectively in pre-construction & construction costs in connection with this project, including regulatory and professional services fees and constructions costs. As of October 31, 2021, these costs have totaled \$71,965,000. The Masonic Homes has committed \$94 million toward this project.

NOTE 6 – ASSETS HELD IN TRUSTS

Assets held in trusts consisted of the following as of October 31:

	2021 (In Thousands)	2020 (In Thousands)
Contributions receivable from split-interest agreements	\$ 358	\$ 303
Assets of pooled income fund	524	626
Assets of split-interest agreements	7,953	7,466
Assets of charitable gift annuities	1,248	962
Beneficial interest in perpetual trusts	3,751	2,654
Total assets held in trusts	<u>\$ 13,834</u>	<u>\$ 12,011</u>

Contributions receivable from split-interest agreements – Contributions receivable from split-interest agreements represent the estimated net present value of Masonic Homes' interest in various irrevocable trusts held by third parties. The net present value of these receivables was determined using the tax deduction methodology from the IRS.

Assets of pooled income fund – Assets of the Pooled Income Fund represent the fair value of assets held in the Pooled Income Fund, which was organized in 1974 as a charitable trust to which donors contribute irrevocable remainder interests in investments while retaining an income interest for life for one or more beneficiaries. All dividend and interest income of the Pooled Income Fund is distributed quarterly to the beneficiaries, based on their proportionate share of the Pooled Income Fund. Upon the death of each donor's last income beneficiary, the remainder interest becomes available for Masonic Homes' use.

Contributions are measured at the fair value of the assets received and discounted for the estimated life expectancy of the donor, which is obtained from life expectancy tables published by the IRS. The amount discounted is reported as discount for future interest and recognized using the straight-line method over the donor's remaining life expectancy. The interest rate used in calculating the discount approximates the average return provided by the fund in the years prior to the applicable contribution. As of October 31, 2021, and 2020, the rate was estimated to be 3.955%.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Assets of charitable remainder trusts – Assets of charitable remainder trusts consist of cash and other assets received under various irrevocable charitable trusts of which Masonic Homes is the trustee. The assets received under these agreements are recorded at estimated fair market value when received. Masonic Homes utilizes an outside fund consultant to value these assets annually.

Assets of charitable gift annuities – Assets of charitable gift annuities consist of cash and other assets received under irrevocable annuity contracts. These contracts guarantee a specified amount for the life of the donor, or beneficiaries designated by the donor. The assets received are not commingled with the general assets of Masonic Homes. A reserve account has been established and invested in accordance with California statutes. The discount rates used range from 0.4% to 6.2%. Upon the death of the donor, the remaining funds revert to Masonic Homes and are taken into income. The (decrease) increase in present value of the gift annuities for the years ended October 31, 2021 and 2020, was \$98,115 and \$(151,572), respectively.

Beneficial interests in perpetual trusts – Beneficial interests in perpetual trusts represent the net present value of Masonic Homes' irrevocable interest in the income generated from various perpetual trusts held by third-party trustees. The assets of the trusts have been donor restricted for investment in perpetuity.

NOTE 7 – DEFERRED REVENUE

Changes in deferred revenue are as follows for the years ended October 31:

	2021	2020
	(In Thousands)	(In Thousands)
Balance, beginning of period and year	\$ 20,185	\$ 23,757
Received from new residents	1,997	156
Other payments/ settlements	(258)	(131)
Amortizable portion of entrance fee	212	-
Amortized		
Due to deaths and withdrawals	(1,084)	(1,188)
Based on actuarial calculation	(2,103)	(2,409)
Balance, end of period and year	<u>\$ 18,949</u>	<u>\$ 20,185</u>

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 8 – REFUNDABLE ADVANCE FEES

Changes in refundable advance fees are as follows for the years ended October 31:

	2021 (In Thousands)	2020 (In Thousands)
Balance, beginning of period and year	\$ 38,172	\$ 35,788
Received from new residents	2,458	4,926
Deposits refunded to residents	(1,688)	(2,542)
Amortizable portion of entrance fee	(212)	-
	<u>\$ 38,730</u>	<u>\$ 38,172</u>
Balance, end of period and year	<u>\$ 38,730</u>	<u>\$ 38,172</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of October 31:

	2021 (In Thousands)		2020 (In Thousands)	
	Purpose Restricted	Endowment	Purpose Restricted	Endowment
Available for use in awarding scholarships or other programs related to children	\$ 19,063	\$ 1,595	\$ 5,823	\$ 1,595
Available for use in the activities of the homes in Union City and Covina upon lapse of time restrictions	2,586	153,717	10,469	153,417
Available for use in providing critical relief to Masons and their families	785	-	-	-
	<u>\$ 22,434</u>	<u>\$ 155,312</u>	<u>\$ 16,292</u>	<u>\$ 155,012</u>

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Net assets were released from donor restrictions as shown in the following table for the years ended October 31, 2021 and 2020. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2021 (In Thousands)	2020 (In Thousands)
Use in the activities of the home for adults in Union City, California	\$ 234	\$ 846
Use in the activities of the home for adults/children in Covina, California	1,792	3,908
Use in Masonic Outreach Services	145	87
Use in providing critical relief to Masons and their families	150	243
Use in awarding scholarships and other community sponsorship	57	75
Total net assets released from restrictions	<u>\$ 2,378</u>	<u>\$ 5,159</u>

NOTE 10 – RETIREMENT PLANS

Defined contribution plan – The California Masonic Retirement Plan II (“Retirement Plan”), a defined contribution plan sponsored by the Grand Lodge, was effective on April 1, 2007. Masonic Homes, Acacia Creek – UC, the Grand Lodge, and the Temple participate in the Retirement Plan that covers all employees who meet certain age and service requirements. The Retirement Plan provides for both an employer contribution and an employer match of employee contributions. The total employer contributions and matches made by the Masonic Homes and Acacia Creek – UC to the Plan were \$1,793,000 and \$1,776,000 for the years ended October 31, 2021 and 2020, respectively.

NOTE 11 – RELATED-PARTY TRANSACTIONS

The Grand Lodge provides general and administrative support to Masonic Homes and Acacia Creek – UC, for which the Grand Lodge is reimbursed without mark-up through an allocation of certain expenses. The allocations to the Masonic Homes and Acacia Creek – UC were \$8,361,000 and \$8,299,000 for the years ended October 31, 2021 and 2020, respectively.

NOTE 12 – CONTINGENCIES AND COMMITMENTS

The Organization can potentially be a party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Organization.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse, statutes, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The Organization's operations are located in California, which has restricted gatherings of people due to the COVID-19 outbreak. Given the dynamic nature of these circumstances and business disruption, the Organization anticipates a significant short-term impact. The Organization will continue to monitor the situation closely, but given the uncertainty about the ongoing situation, an estimate of the impact to the consolidated financial statements cannot be made at this time.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 13 – LONG-TERM DEBT

Long-term debt at October 31, 2021 and 2020, consisted of the following:

	2021 (In Thousands)	2020 (In Thousands)
Association of Bay Area Government Bonds, Series 2013A, variable rate equal to 80% of one month LIBOR plus 47 basis points, annual payments beginning August 1, 2021, continuing to June 30, 2023	\$ 83,929	\$ 87,235
Bank of America term loan, fixed rate of 190 basis points, monthly payments beginning September 15, 2016, amortized over 25 years with a balloon payment due August 15, 2021	-	51,895
Bank of America term loan, fixed rate of 220 basis points, monthly payments beginning September 15, 2021, amortized over 20 years with a balloon payment due on August 14, 2026	49,858	-
Bank of America Public Capital Corporation loan, variable rate equal to one month LIBOR plus 60 basis points, annual payments beginning August 1, 2021, continuing to June 30, 2023	4,085	4,246
	137,872	143,376
Less current portion	5,615	55,362
	132,257	88,014
Less net unamortized cost of issuance	418	422
	<u>\$ 131,839</u>	<u>\$ 87,592</u>

Nontaxable variable rate revenue bonds – Acacia Creek – UC issued \$99,423,000 in Variable Rate Revenue Bonds, Series 2013A on October 29, 2013. The bonds were issued through the Association of Bay Area Governments (“ABAG”) and have a maturity date of July 1, 2038. The bonds were privately placed with Bank of America Public Capital Corporation (“BAPCC”). The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

The proceeds of the bonds were used to retire the Acacia Creek – UC Variable Rate Revenue Bonds, Series 2008A issued on January 30, 2008, in the amount of \$93,625,000 and to fund the termination cost related to the Morgan Stanley Swap dated December 20, 2007, in the amount of \$5,491,000. The balance of the proceeds in the amount of \$307,000 was used to fund certain issuance costs related to the Series 2013A Variable Rate Revenue Bonds. Other issuance costs related to the 2013A bonds in the amount of \$33,000 were paid directly by Acacia Creek – UC. Total issuance costs therefore related to the 2013A bonds were \$340,000.

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The bonds carry an interest rate equal to 67% of one month LIBOR plus 35 basis points reset on the first business day of every month. The interest formula was effective through July 31, 2021 at which time the interest rate on the bonds would carry a rate equal to 80% of one month LIBOR plus 47 basis points through June 30, 2023. The interest rate at October 31, 2021 and 2020, was 0.537% and 0.462%, respectively. The Masonic Homes guarantees the performance of Acacia Creek's repayment obligations.

Taxable variable rate loan – Acacia Creek – UC entered into a 5-year Taxable Variable Rate Loan through Bank of America, N.A. loan on October 29, 2013, in the amount of \$4,840,000. The maturity date of the loan is November 1, 2038. The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

The proceeds of the loan were used to fund the termination cost related to the Bank of America swap dated May 25, 2011, in the amount of \$4,840,000. Issuance cost related to the loan was \$30,000 and was paid directly by Acacia Creek – UC.

The loan carries an interest rate equal to one month LIBOR plus 45 basis points reset on the first business day of every month. The interest formula was effective through July 31, 2021 at which time the interest rate on the loan will be one month LIBOR plus 60 basis points through June 30, 2023. The interest rate at October 31, 2021 and 2020, was 0.6840% and 0.591%, respectively. Under the terms of the loan, it is secured by the Masonic Homes.

Term loan – On August 15, 2016, Masonic Homes entered into an unsecured term loan with a bank in the amount of \$60,000,000 to take advantage of favorable interest rates and to fund a portion of the construction costs of the campus master plan projects for Union City Phase I and Covina Phase II. The loan is amortized over 25 years at a rate of 1.9% with monthly payments of \$252,000 and a balloon payment being due on August 15, 2021.

On August 16, 2021, Masonic Homes entered into an unsecured term loan with Bank of America, N.A. in the amount of \$50,193,000. The loan is amortized over 20 years at a rate of 2.2% with a monthly payment of \$259,000 and a balloon payment due on August 14, 2026. The proceeds of the loan were used to pay off the outstanding principal amount of the August 2016 taxable term loan in lieu of the balloon payment.

Future minimum payment schedule – Total annual maturities of long-term debt as of October 31, 2021, are as follows (in thousands):

2022	\$	5,615
2023		5,763
2024		5,938
2025		6,114
2026		6,307
Thereafter		107,717
	\$	<u>137,454</u>

Interest paid for the years ended October 31, 2021 and 2020, on long-term debt was \$1,431,000 and \$2,038,000 respectively.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 14 – UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA) DISCLOSURES

Board interpretation of law

Interpretation of Relevant Law UPMIFA enacted by California, FMV preservation – The Board of Trustees of the Masonic Homes has interpreted the California Prudent Management of Institutional Funds Act (“CPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Masonic Homes classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the Masonic Homes in a manner consistent with the standard of prudence prescribed by CPMIFA. In accordance with CPMIFA, the Masonic Homes considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Masonic Homes and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Masonic Homes
- g. The investment policies of the Masonic Homes

Spending policy, investing policy, and strategy

Return objectives and risk parameters – Masonic Homes has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Masonic Homes must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various market benchmarks appropriate to the investment classes utilized while assuming a moderate level of investment risk. The Masonic Homes expects its endowment funds, over time, to provide an average rate of return of approximately 6.5% to 7.0% over the long term. Actual returns in any given year may vary from this amount.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, Masonic Homes relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Masonic Homes targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – For 2021/2020, Masonic Homes had a past policy of appropriating for distribution 4.50% to 5.00% of its endowment fund's average fair value over the prior twenty quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Masonic Homes considered the long-term expected return on its endowment. Accordingly, over the long term, the Masonic Homes expects the current spending policy to allow its endowment to grow at an average of 2.00% annually. This is consistent with the Masonic Homes' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Endowments by net asset class, in total and by fund

October 31, 2021 (In Thousands)			
	Without Donor Restriction	Purpose restricted	Endowment
Donor-restricted endowment funds	\$ -	\$ 22,434	\$ 155,312
Board-designated endowment funds	335,081	-	-
Total endowment funds	<u>\$ 335,081</u>	<u>\$ 22,434</u>	<u>\$ 155,312</u>
October 31, 2020 (In Thousands)			
	Unrestricted	With Donor restriction	Endowment
Donor-restricted endowment funds	\$ -	\$ 16,292	\$ 155,012
Board-designated endowment funds	246,145	-	-
Total endowment funds	<u>\$ 246,145</u>	<u>\$ 16,292</u>	<u>\$ 155,012</u>

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Reconcile beginning and ending balance by net asset class

	Without Donor Restriction	Purpose Restricted	Endowment	Total
Endowment net assets, October 31, 2020	\$ 246,145	\$ 16,292	\$ 155,012	\$ 262,437
Investment return:				
Realized gains (losses)	14,028	532	-	14,560
Investment Income	7,830	168	-	7,998
Unrealized gains (losses)	89,513	4,150	-	93,663
Total investment return	111,371	4,850	-	116,221
Contributions	-	3,670	300	3,970
Release from restrictions	-	(2,378)	-	(2,378)
Release/transfer to general fund and/or operation	(19,656)	-	-	(19,656)
Expenses	(2,779)	-	-	(2,779)
Endowment net assets, October 31, 2021	<u>\$ 335,081</u>	<u>\$ 22,434</u>	<u>\$ 155,312</u>	<u>\$ 357,815</u>
	Without Donor Restriction	Purpose Restricted	Endowment	Total
Endowment net assets, October 31, 2019	\$ 248,439	\$ 16,764	\$ 154,029	\$ 419,232
Investment return:				
Realized gains (losses)	(758)	(88)	-	(846)
Investment Income	4,644	94	-	4,738
Unrealized gains (losses)	13,395	(219)	-	13,176
Total investment return	17,281	(213)	-	17,068
Contributions	-	4,900	983	5,883
Release from restrictions	-	(5,159)	-	(5,159)
Release/transfer to general fund and/or operation	(17,607)	-	-	(17,607)
Expenses	(1,968)	-	-	(1,968)
Endowment net assets, October 31, 2020	<u>\$ 246,145</u>	<u>\$ 16,292</u>	<u>\$ 155,012</u>	<u>\$ 417,449</u>

Nature and types of restrictions

Endowment – Masonic Homes’ endowment consists of approximately 16 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

Aggregate amount of deficiencies for donor-restricted endowments

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Masonic Homes to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there was no deficiency of this nature that was reported in net assets without donor restrictions as of October 31, 2021 and 2020, respectively.

Masonic Homes of California and Subsidiaries

Notes to Financial Statements

NOTE 15 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function (in thousands) were as follows for the year ended October:

	2021										
	Program Expenses						Supporting Services				
	Acacia Creek Operation	Masonic Homes Operation	Masonic Outreach Services	Masonic Center for Youth and Families	Scholarship	Total Program Expenses	Marketing	Management and General	Fundraising	Total Supporting Services	Total Consolidated
Salaries and wages	\$ 2,907	\$ 20,617	\$ 1,744	\$ 2,704	\$ -	\$ 27,972	\$ 203	\$ -	\$ -	\$ 203	\$ 28,175
Employee benefits	884	4,498	282	369	-	6,033	46	-	-	46	6,079
Payroll taxes	202	1,392	127	192	-	1,913	14	-	-	14	1,927
Pension plan contributions	186	1,327	107	154	-	1,774	19	-	-	19	1,793
Audit and tax fees	52	97	-	-	-	149	-	-	-	-	149
Legal fees	13	100	-	-	-	113	-	-	-	-	113
Other professional fees	58	120	-	47	-	225	9	-	-	9	234
Operating supplies and services	334	977	107	85	-	1,503	60	-	-	60	1,563
Information technology	2	49	1	4	-	56	-	-	-	-	56
Dues, licenses, and permit	42	290	-	5	-	337	-	-	-	-	337
Insurance	503	1,215	-	66	-	1,784	-	-	-	-	1,784
Property taxes	107	326	-	-	-	433	-	-	-	-	433
Utilities, maintenance, and facility expenses	750	2,560	-	292	-	3,602	-	-	-	-	3,602
Travel	4	57	40	-	-	101	-	-	-	-	101
Resident care services	1,023	7,985	17	10	-	9,035	2	-	-	2	9,037
Non resident assistance	-	-	3,075	-	-	3,075	-	-	-	-	3,075
Depreciation	2,670	5,453	-	33	-	8,156	-	-	-	-	8,156
Promotion and advertising	-	-	-	-	-	-	48	-	-	48	48
Scholarship and community sponsorship	-	-	-	-	207	207	-	-	-	-	207
Interest expense	424	1,007	-	-	-	1,431	-	-	-	-	1,431
Miscellaneous expenses	16	174	-	21	-	211	3	-	-	3	214
Shared service allocation	-	-	-	-	-	-	-	7,372	989	8,361	8,361
Total expenses	<u>\$ 10,177</u>	<u>\$ 48,244</u>	<u>\$ 5,500</u>	<u>\$ 3,982</u>	<u>\$ 207</u>	<u>\$ 68,110</u>	<u>\$ 404</u>	<u>\$ 7,372</u>	<u>\$ 989</u>	<u>\$ 8,765</u>	<u>\$ 76,875</u>

Masonic Homes of California and Subsidiaries

Notes to Consolidated Financial Statements

	2020										
	Program Expenses						Supporting Services				
	Acacia Creek Operation	Masonic Homes Operation	Masonic Outreach Services	Masonic Center for Youth and Families	Scholarship	Total Program Expenses	Marketing	Management and General	Fundraising	Total Supporting Services	Total Consolidated
Salaries and wages	\$ 2,827	\$ 20,485	\$ 1,618	\$ 2,754	\$ -	\$ 27,684	\$ 196	\$ -	\$ -	\$ 196	\$ 27,880
Employee benefits	857	4,526	267	367	-	6,017	43	-	-	43	6,060
Payroll taxes	195	1,360	118	185	-	1,858	14	-	-	14	1,872
Pension plan contributions	183	1,322	98	155	-	1,758	18	-	-	18	1,776
Audit and tax fees	31	108	-	-	-	139	-	-	-	-	139
Legal fees	1	155	2	18	-	176	-	-	-	-	176
Other professional fees	67	593	20	20	-	700	12	-	-	12	712
Operating supplies and services	340	984	78	151	-	1,553	66	-	-	66	1,619
Information technology	4	55	1	5	-	65	-	-	-	-	65
Dues, licenses, and permit	37	235	-	5	-	277	-	-	-	-	277
Insurance	431	1,084	-	64	-	1,579	-	-	-	-	1,579
Property taxes	114	320	-	-	-	434	-	-	-	-	434
Utilities, maintenance, and facility expenses	695	2,495	-	278	-	3,468	-	-	-	-	3,468
Travel	3	64	58	15	-	140	-	-	-	-	140
Resident care services	1,022	8,001	53	16	-	9,092	5	-	-	5	9,097
Non resident assistance	-	-	3,867	-	-	3,867	-	-	-	-	3,867
Depreciation	2,712	5,367	-	59	-	8,138	-	-	-	-	8,138
Promotion and advertising	-	-	-	-	-	-	31	-	-	31	31
Scholarship and community sponsorship	-	-	-	-	61	61	-	-	-	-	61
Interest expense	1,015	1,023	-	-	-	2,038	-	-	-	-	2,038
Miscellaneous expenses	118	156	1	7	-	282	3	-	-	3	285
Shared service allocation	-	-	-	-	-	-	-	7,347	952	8,299	8,299
Total expenses	\$ 10,652	\$ 48,333	\$ 6,181	\$ 4,099	\$ 61	\$ 69,326	\$ 388	\$ 7,347	\$ 952	\$ 8,687	\$ 78,013

Expenses, such as depreciation, supplies, personnel, and occupancy costs, are allocated among program services and supporting services classifications on the basis of time records and on estimates made by the Organization's management.

Masonic Homes of California and Subsidiaries

Notes to Financial Statements

NOTE 16 – LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of October 31, available for general expenditure within one year:

	2021 (In Thousands)	2020 (In Thousands)
Financial assets		
Cash and cash equivalents	\$ 12,365	\$ 12,250
Receivables, net	3,646	2,871
Current portion of related-party receivable	846	534
Assets held for sale	362	856
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 17,219</u>	<u>\$ 16,511</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization has adequate unrestricted liquid assets to ensure it can meet its current and future obligations. The Organization will be making expenditures on several major long-term capital projects in the next year. These future expenditures are not included in current assets as the amounts are interminable and are included in investments as of October 31, 2021 and 2020.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through February 24, 2022, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Masonic Homes of California and Subsidiaries
Consolidating Statements of Financial Position
October 31, 2021 (With Summarized Comparative Information as of October 31, 2020)
(In Thousands)

	Without Donor Restriction			With Donor Restriction		
	Acacia Creek Union City	Masonic Homes	Elimination/Reclass	Total	Masonic Homes	2021 Consolidated
						2020 Total Consolidated Comparative Totals Only
Assets						
Current assets						
Cash and cash equivalents - unrestricted	\$ 432	\$ 11,933	\$ -	\$ 12,365	\$ -	\$ 12,365
Funds held for residents	-	1,077	-	1,077	-	1,077
Receivables, net	36	3,610	-	3,646	-	3,646
Notes receivable - related party	-	10,000	(10,000)	-	-	-
Prepaid expenses and other assets	3,809	377	-	4,186	-	4,186
Current portion of related party receivable	20	1,960	(1,674)	306	540	846
Assets held for sale	-	362	-	362	-	362
Total current assets	4,297	29,319	(11,674)	21,942	540	22,482
Investments, at fair value	18,908	909,564	-	928,472	165,358	1,093,830
Long term portion of related party receivable	-	-	-	-	535	535
Property and equipment, net	65,839	162,167	-	228,006	-	228,006
Assets held in trusts	-	-	-	-	13,834	13,834
Funds held for prospective residents	539	-	-	539	-	539
Other assets	-	6,450	(5,787)	663	-	663
Total assets	\$ 89,583	\$ 1,107,500	\$ (17,461)	\$ 1,179,622	\$ 180,267	\$ 1,359,889
Liabilities and net assets						
Current liabilities						
Accounts payable and accrued liabilities	\$ 300	\$ 4,516	\$ -	\$ 4,816	-	\$ 4,816
Accrued payroll and benefits payable	332	2,948	-	3,280	-	3,280
Current portion of long-term debt	3,595	2,020	-	5,615	-	5,615
Liability for funds held for residents, net	-	1,077	-	1,077	-	1,077
Intercompany debt	10,000	-	(10,000)	-	-	-
Other related parties payable	1,674	401	(1,674)	401	-	401
Total current liabilities	15,901	10,962	(11,674)	15,189	-	15,189
Liability to beneficiaries of split-interest agreements	-	-	-	-	2,521	2,521
Long-term debt, net	84,001	47,838	-	131,839	-	131,839
Liability for funds held for prospective residents	539	-	-	539	-	539
Refundable advance fees	44,517	-	(5,787)	38,730	-	38,730
Deferred revenue	4,258	14,691	-	18,949	-	18,949
Total liabilities	149,216	73,491	(17,461)	205,246	2,521	207,767
Net assets (deficit)	(59,633)	1,034,009	-	974,376	177,746	1,152,122
Total liabilities and net assets (deficit)	\$ 89,583	\$ 1,107,500	\$ (17,461)	\$ 1,179,622	\$ 180,267	\$ 1,359,889

Masonic Homes of California and Subsidiaries
Consolidating Statements of Activities and Changes in Net Assets
Year Ended October 31, 2021 (With Summarized Comparative Information for the Year Ended October 31, 2020)
(In Thousands)

	Without Donor Restrictions				With Donor Restrictions	Year Ended	Year Ended
	Acacia Creek Union City	Masonic Homes	Elimination/Reclass	Total	Masonic Homes	October 31, 2021 Consolidated	October 31, 2020 Total Comparative Totals Only
Public Support and Revenue							
Contributions	\$ -	\$ 19	\$ -	\$ 19	\$ 1,364	\$ 1,383	\$ 437
Bequests and memorials	-	689	-	689	2,606	3,295	7,077
Amortization of deferred revenue	585	1,518	-	2,103	-	2,103	2,409
Amount received from pensions assigned by residents	-	5,341	-	5,341	-	5,341	5,548
Investment income	222	11,546	-	11,768	168	11,936	6,791
Net realized gains on investments	3,470	60,802	-	64,272	532	64,804	2,201
Net unrealized gains on equity investments	1,492	86,944	-	88,436	-	88,436	9,258
Fee for service	7,275	1,865	-	9,140	-	9,140	9,808
Health service revenue	-	6,810	(99)	6,711	-	6,711	7,084
Other income	555	4,193	-	4,748	-	4,748	6,066
Change in value of split-interest agreements	-	-	-	-	2,416	2,416	(691)
Net assets released from restriction	-	2,378	-	2,378	(2,378)	-	-
Total public support and revenue	13,599	182,105	(99)	195,605	4,708	200,313	55,988
Expenses							
Program							
Operation of Acacia Creek and Masonic Homes	10,177	48,244	-	58,421	-	58,421	58,985
Masonic Outreach Services	-	5,500	-	5,500	-	5,500	6,181
Masonic Center for Youth and Families	-	3,982	-	3,982	-	3,982	4,099
Scholarship	-	207	-	207	-	207	61
Total program expenses	10,177	57,933	-	68,110	-	68,110	69,326
Supporting services							
Marketing	503	-	(99)	404	-	404	388
Fundraising	-	989	-	989	-	989	952
Administration/shared services	1,084	6,288	-	7,372	-	7,372	7,347
Total supporting services expenses	1,587	7,277	(99)	8,765	-	8,765	8,687
Total expenses	11,764	65,210	(99)	76,875	-	76,875	78,013
Excess (deficit) of revenues over expenses before other changes in net assets	1,835	116,895	-	118,730	4,708	123,438	(22,025)
Net unrealized gains on investments	117	86,261	-	86,378	1,734	88,112	13,306
Change in net assets	1,952	203,156	-	205,108	6,442	211,550	(8,719)
Net assets at beginning of year	(61,585)	830,853	-	769,268	171,304	940,572	949,290
Net assets at end of year	\$ (59,633)	\$ 1,034,009	\$ -	\$ 974,376	\$ 177,746	\$ 1,152,122	\$ 940,571

Masonic Homes of California and Subsidiaries
Consolidating Statements of Cash Flows
Year Ended October 31, 2021 (With Summarized Comparative Information for the Year Ended October 31, 2020) (In Thousands)

	Year Ended October 31, 2021				Year Ended October 31, 2020
	Acacia Creek – Union City	Masonic Homes	Elimination	Total	Comparative Total Only
Cash flows from operating activities					
Contributions and bequests received	\$ -	\$ 4,378	\$ -	\$ 4,378	\$ 6,530
Net proceeds from assigned assets	-	1,739	-	1,739	24
Amounts received from assigned assets	-	5,341	-	5,341	5,548
Net proceeds from sale of resident assets	-	(70)	-	(70)	639
Investment income received	222	11,715	-	11,937	6,791
Fee for service	7,275	1,865	-	9,140	9,808
Health service revenue	-	6,810	-	6,810	7,168
Royalty and other income	411	2,644	-	3,055	4,917
Cash paid for operating expenses	(9,760)	(59,390)	-	(69,150)	(68,915)
Net proceeds from split-interest agreements, charitable gift annuity, and pooled income fund	-	756	-	756	(13)
Net cash used in operating activities	(1,852)	(24,212)	-	(26,064)	(27,503)
Cash flows from investing activities					
Net proceeds from sales of investments	8,188	94,292	-	102,480	136,212
Purchase of investments	(2,200)	(34,218)	-	(36,418)	(58,475)
Purchase of property and equipment	(416)	(34,752)	-	(35,168)	(47,960)
Net cash provided by investing activities	5,572	25,322	-	30,894	29,777
Cash flows from financing activities					
Cash received from residents subject to refund	2,908	-	(450)	2,458	4,926
Deposits refunded to residents	(2,831)	-	1,143	(1,688)	(2,542)
Entrance fee (deposit to) refunded from Acacia Creek	-	693	(693)	-	-
Contribution restricted for long term investments	-	300	-	300	982
Funds held for residents	-	(28)	-	(28)	36
Changes in other assets	(12)	-	-	(12)	(42)
Long-term debt proceeds	-	50,193	-	50,193	-
Long-term debt principal installment payment	(3,467)	(52,230)	-	(55,697)	(5,359)
Net cash used in financing activities	(3,402)	(1,072)	-	(4,474)	(1,999)
Net increase in cash, cash equivalents, and restricted cash	318	38	-	356	275
Cash, cash equivalents and restricted cash, beginning of year	653	12,972	-	13,625	13,350
Cash, cash equivalents and restricted cash, end of year	\$ 971	\$ 13,010	\$ -	\$ 13,981	\$ 13,625
Supplemental cash-flow information					
Interest paid	\$ 424	\$ 1,007	\$ -	\$ 1,431	\$ 2,038

Masonic Homes of California and Subsidiaries
Consolidating Statements of Cash Flows (Continued)
Year Ended October 31, 2021 (With Summarized Comparative Information for the Year
Ended October 31, 2020) (In Thousands)

	Year Ended October 31, 2021				Year Ended October 31, 2020
	Acacia Creek – Union City	Masonic Homes	Elimination	Total	Comparative Total Only
Reconciliation of change in net assets to net cash used in operating activities					
Change in net assets	\$ 1,952	\$ 209,598	\$ -	\$ 211,550	\$ (8,719)
Adjustment to reconcile change in net assets to net cash used in operating activities					
Depreciation	2,670	5,486	-	8,156	8,138
Amortization of deferred revenue	(585)	(1,518)	-	(2,103)	(2,409)
Amortization due to death and withdrawal	(302)	(782)	-	(1,084)	(1,187)
Realized and unrealized gains on investments	(5,079)	(236,275)	-	(241,354)	(24,737)
Contribution restricted for long term investments	-	(300)	-	(300)	(982)
Changes in assets and liabilities					
Receivables, net	(8)	(767)	-	(775)	(74)
Prepaid expenses and other assets	(106)	311	-	205	(2,971)
Related parties receivable and payable	(551)	1,039	-	488	253
Assets held for sale	-	(146)	-	(146)	638
Assets held in trust	-	(1,821)	-	(1,821)	834
Funds held for residents and prospective residents	166	77	-	243	76
Accounts payable and accrued liabilities	(9)	(1,019)	-	(1,028)	3,765
Liability to beneficiaries of split-interest agreements	-	165	-	165	(152)
Deferred revenue from assigned assets, net	-	1,740	-	1,740	24
Net cash used in operating activities	<u>\$ (1,852)</u>	<u>\$ (24,212)</u>	<u>\$ -</u>	<u>\$ (26,064)</u>	<u>\$ (27,503)</u>

Masonic Homes of California and Subsidiaries
Supplemental Schedule of Supporting Services Expenses (Unaudited)
Years Ended October 31, 2021 and 2020
(In Thousands)

	2021 <u>(In Thousands)</u>	2020 <u>(In Thousands)</u>
General and administrative - shared service allocation	\$ 6,288	\$ 6,245
Fund raising and development - shared service allocation	<u>989</u>	<u>952</u>
Masonic Homes general and administrative expenses	7,277	7,197
Acacia Creek general and administrative shared service allocation	<u>1,084</u>	<u>1,102</u>
Total allocation of general and administrative support to Masonic Homes and Acacia Creek	8,361	8,299
Acacia Creek marketing expenses, net of elimination	<u>404</u>	<u>388</u>
Total general, administrative and marketing expenses	<u><u>\$ 8,765</u></u>	<u><u>\$ 8,687</u></u>

**Masonic Homes of California
Continuing Care Contract Annual Report
Part 5**

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Report of Independent Auditors

To the Board of Trustees
Masonic Homes of California (Nonprofit Corporation)

Report on the Financial Statements

We have audited the accompanying financial statements of Masonic Homes of California – Union City and Masonic Homes of California – Covina (Masonic Homes of California), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended October 31, 2021.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Masonic Homes of California's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Masonic Homes of California's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Masonic Homes of California as of and for the year ended October 31, 2021, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Masonic Homes of California on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter – Supplementary Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Form 5-4 Reconciliation, Form 5-4 Reconciliation Schedule of Expenses, Additional Disclosures, and Notes to Reserve Reports on pages 10 through 13, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Masonic Homes of California and for filing with the California Department of Social Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Moss Adams LLP". The signature is written in dark ink and is positioned above the printed name of the firm.

San Francisco, California
February 24, 2022

Masonic Homes of California
Form 5-1, Long-Term Debt Incurred in Prior Fiscal Year
Including Balloon Debt

FORM 5-1 LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (Including Balloon Debt)					
Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	08/15/16	\$1,684,682	\$822,982		\$2,507,664
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$822,982	\$0	\$2,507,664
<i>(Transfer this amount to Form 5-3, Line 1)</i>					
NOTE: For column (b), do not include voluntary payments made to pay down principal.					
PROVIDER: <u>Masonic Homes of California</u>					

Masonic Homes of California
Form 5-2, Long-Term Debt Incurred During Fiscal Year
Including Balloon Debt

FORM 5-2 LONG-TERM DEBT INCURRED DURING FISCAL YEAR (Including Balloon Debt)					
Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (See Instruction 5) (columns (c) x (d))
1	08/16/21	\$183,734	\$167,726	12	\$2,012,712
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$183,734	\$167,726	12	\$2,012,712

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Masonic Homes of California

Masonic Homes of California
Form 5-3, Calculation of Long-Term Debt Reserve Amount

FORM 5-3		
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT		
Line		TOTAL
[1]	Total from Form 5-1 bottom of Column (e)	\$2,507,664
[2]	Total from Form 5-2 bottom of Column (e)	\$2,012,712
[3]	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$0
[4]	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$4,520,376

PROVIDER:	<u>Masonic Homes of California</u>
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Masonic Homes of California
Form 5-4, Calculation of Net Operating Expenses – Union City

FORM 5-4 CALCULATION OF NET OPERATING EXPENSES			
Line		Amounts	TOTAL
[1]	Total operating expenses from financial statements		\$46,054,588
[2]	Deductions:		
	[a] Interest paid on long-term debt (see instructions)	\$1,006,716	
	[b] Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
	[c] Depreciation	\$4,207,083	
	[d] Amortization	\$0	
	[e] Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,764,750	
	[f] Extraordinary expenses approved by the Department	\$0	
[3]	Total Deductions		\$6,978,549
[4]	Net Operating Expenses		\$39,076,039
[5]	Divide Line 4 by 365 and enter the result.		\$107,058
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$8,029,350
PROVIDER:	Masonic Homes of California		
COMMUNITY:	Union City		

Masonic Homes of California
Form 5-4, Calculation of Net Operating Expenses – Covina

FORM 5-4 CALCULATION OF NET OPERATING EXPENSES			
Line		Amounts	TOTAL
[1]	Total operating expenses from financial statements		\$9,466,853
[2]	Deductions:		
	[a] Interest paid on long-term debt (see instructions)	\$0	
	[b] Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
	[c] Depreciation	\$1,245,584	
	[d] Amortization	\$0	
	[e] Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$100,672	
	[f] Extraordinary expenses approved by the Department	\$0	
[3]	Total Deductions		\$1,346,256
[4]	Net Operating Expenses		\$8,120,597
[5]	Divide Line 4 by 365 and enter the result.		\$22,248
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$1,668,600
PROVIDER:	Masonic Homes of California		
COMMUNITY:	Covina		

Masonic Homes of California

Form 5-5, Annual Reserve Certification

FORM 5-5 ANNUAL RESERVE CERTIFICATION

Provider Name: Masonic Homes of California

Fiscal Year Ended: 10/31/2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 10/31/2021 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year, are as follows:

	Amount
[1] Debt Service Reserve Amount	\$4,520,376
[2] Operating Expense Reserve Amount	\$9,697,950
[3] Total Liquid Reserve Amount:	\$14,218,326

Qualifying assets sufficient to fulfill the above requirements are held as follows:

Qualifying Asset Description	Amount (market value at end of quarter)	
	Debt Service Reserve	Operating Reserve
[4] Cash and Cash Equivalents	\$0	\$11,933,398
[5] Investment Securities	\$4,520,376	\$875,221,321
[6] Equity Securities	\$0	\$0
[7] Unused/Available Lines of Credit	\$0	\$0
[8] Unused/Available Letters of Credit	\$0	\$0
[9] Debt Service Reserve	\$0	(not applicable)
[10] Other:	\$0	\$0
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$4,520,376 [12]	\$887,154,719
Reserve Obligation Amount: [13]	\$4,520,376 [14]	\$9,697,950
Surplus/(Deficiency): [15]	\$0 [16]	\$877,456,769

Other reserve funds designated for capital development and replacement, uninsured risk, and strategic initiatives are as follows:

Operating and capital reserve fund	\$ 13,081,000
Uninsured risk fund	12,245,000
Advanced care reserve fund	3,188,000
Strategic reserve fund	1,308,000
	\$ 29,822,000

Signature:

Thomas J. Boyer

Date: 02/24/2022

(Authorized Representative)

Chief Financial Officer

(Title)

Supplementary Schedules

Masonic Homes of California
Forms 5-1 and 5-2, Reconciliation

RECONCILIATION TO CASH FLOW

Forms 5-1 and 5-2 to Statement of Cash Flows

Interest paid on long-term debt incurred in prior year	Form 5-1, line 1c (Union City)	\$ 822,982
Interest paid on long-term debt incurred in fiscal year	Form 5-2, line 1b (Union City)	183,734
Interest Paid from Statement of Cash Flows		<u>\$ 1,006,716</u>

Principal paid on debt incurred in prior year	Form 5-1, line 1b (Union City)	\$ 1,684,682
Most recent payment on the debt incurred in fiscal year	Form 5-2, line 1c (Union City)	167,726
Voluntary principal payments made on debt incurred in the prior year		50,209,829
Additional principal paid on debt incurred in fiscal year		167,419
Long-Term Debt Principal Installment Payments from Statement of Cash Flows		<u>\$ 52,229,656</u>

Masonic Homes of California
Form 5-4, Reconciliation

**RECONCILIATION TO STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS AND
RECONCILIATION TO CASH FLOW**

Form 5-4 to Statement of Activities and Changes in Net Assets

Revenues received during the fiscal year
for services to residents who did not
have continuing care contracts

Form 5-4, line 2e (Union City)
Form 5-4, line 2e (Covina)

\$ 1,764,750
100,672

**Fee for Service Revenue from
Statement of Activities and Changes in Net Assets**

\$ 1,865,422

Form 5-4 to Statement of Cash Flows

Revenues received during the fiscal year
for services to residents who did not
have continuing care contracts

Form 5-4, line 2e (Union City)
Form 5-4, line 2e (Covina)

\$ 1,764,750
100,672

Fee for Service Revenue from Statement of Cash Flows

\$ 1,865,422

Depreciation expense

Form 5-4, line 2c (Union City)
Form 5-4, line 2c (Covina)
Masonic Center for Youth and Families (MCYAF)

\$ 4,207,083
1,245,584
33,402

Depreciation Expense from Statement of Cash Flows

\$ 5,486,069

Masonic Homes of California
Form 5-4, Reconciliation Schedule of Expenses
Year Ended October 31, 2021

	Union City Total	Covina Total	Central Office Total	Total
Form 5-4 to Statement of Changes in Financial Position				
EXPENSES:				
Salaries and wages	\$ 17,665,958	\$ 2,950,996	\$ -	\$ 20,616,954
Resident care and services	6,908,266	1,077,016	-	7,985,282
Depreciation (Form 5-4 line 2-c)	4,207,083	1,245,584	-	5,452,667
Employee benefits	3,768,764	729,733	-	4,498,497
Utilities, maintenance and facility expenses	1,791,933	768,467	-	2,560,400
Payroll taxes	1,186,048	205,737	-	1,391,785
Pension plan contributions	1,149,192	177,731	-	1,326,923
Insurance	942,050	272,963	-	1,215,013
Interest paid on long-term debt (Form 5-4 line 2-a)	1,006,716	-	-	1,006,716
Operating supplies and services	769,806	206,879	-	976,685
Other professional fees	103,371	16,888	-	120,259
Property taxes	277,414	48,863	-	326,277
Dues, licenses and permit	257,853	32,537	-	290,390
Legal fees	56,238	43,667	-	99,905
Miscellaneous expenses	112,144	60,385	-	172,529
Audit and tax fees	75,885	21,193	-	97,078
Travel	44,679	12,387	-	57,066
Information technology	41,835	6,909	-	48,744
Total Operating Expense	40,365,235	7,877,935	-	48,243,170
Shared Services	5,689,353	1,588,918	-	7,278,271
Grand Total (Form 5-4 line 1)	\$ 46,054,588	\$ 9,466,853	\$ -	55,521,441
Reconciliation to audited FS:				
Add: Nonresident assistance - Masonic Outreach Services (MOS)				5,499,826
Add: Masonic Center for Youth and Families (MCYAF) expenses (subtracted for purpose of CCRC reporting)				3,981,962
Add: Scholarships (subtracted for purpose of CCRC reporting)				207,335
Total Expenses from Statement of Activities and Changes in Net Assets				\$ 65,210,564

Administration expense is allocated to the two programs based on resident census.

Masonic Homes of California

Additional Disclosures

Additional Disclosures - H & SC Sections 1790(a)(2) and (3) - Reserves

Investment securities for debt service reserve	\$ 4,520,376
Investment securities for operating reserve	875,221,321
Investment securities - Form 5-5, line 5	<u>\$ 879,741,697</u>

The following identified reserves at BNY Mellon

Uninsured risk fund	\$ 12,245,000
Operating and capital reserve fund (Future capital expenditures)	13,081,000
Advance care reserve fund	3,188,000
Strategic reserve fund (Future Board strategic initiatives)	<u>1,308,000</u>
Investment reserves at BNY Mellon	29,822,000
Investment - unrestricted	<u>879,741,697</u>

Investments, at fair value from Statement of Financial Position

	<u>\$ 909,563,697</u>
UC census as of 10/31/21	218
COV census as of 10/31/21	60
UC net operating expenses	\$ 39,076,039
COV net operating expenses	\$ 8,120,597
Per capita costs of operation for UC	\$ 179,248
Per capita costs of operation for COV	\$ 135,343

Masonic Homes of California

Notes to Reserve Reports

NOTE 1 – BASIS OF ACCOUNTING

The accompanying continuing care liquid reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services, and are not intended to be a complete presentation of Masonic Homes of California's assets, liabilities, revenues, and expenses.

**Masonic Homes of California
Continuing Care Contract Annual Report
Part 6**

Continuing Care Retirement Community Disclosure Statement

Date Prepared: 02/17/2022

FACILITY NAME: Masonic Homes of California

ADDRESS: 34400 Mission Blvd., Union City CA

ZIP CODE: 94587

PHONE: (510) 471-3434

PROVIDER NAME: _____

FACILITY OPERATOR: _____

RELATED FACILITIES: _____

RELIGIOUS AFFILIATION: _____

YEAR 1898 # OF 105 ☐ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: _____

OPENED: 1898 ACRES: 105 STORY 0 STORY 0 ☐ OTHER: _____

MILES TO HOSPITAL: _____

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 43

APARTMENTS — 1 BDRM: 30

APARTMENTS — 2 BDRM: 0

COTTAGES/HOUSES: 0

RLU OCCUPANCY (%) AT YEAR END: 93%

HEALTH CARE

ASSISTED LIVING: 87

SKILLED NURSING: 125

SPECIAL CARE: 28

DESCRIPTION: > _____

TYPE OF OWNERSHIP:

☒ NOT-FOR-PROFIT

☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☐ NO BY: _____

FORM OF CONTRACT:

☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☒ FEE FOR SERVICE

(Check all that apply)

☒ ASSIGNMENT OF ASSETS

☒ EQUITY

☐ MEMBERSHIP

☒ RENTAL

REFUND PROVISIONS: (Check all that apply) ☒ Refundable ☒ Fully Amortized ☒ 90% ☒ 75% ☒ 50% ☒ OTHER: Pro-rated to 0

RANGE OF ENTRANCE FEES: \$ 52,987.00 - \$ 248,872.00

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Assignment of Assets Option Only

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: _____

OTHER: Mason/Widow/Mother

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:

(briefly describe provider's compliance and residents' roles) >

> _____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	MEALS (<u>3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Parking/Gift Shop/General</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
<u>Store/Lodge Room</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Masonic Homes of California

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Masonic Homes of California

Union City, CA

510-471-3434

Masonic Homes of California

Covina, CA

626-251-2200

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

Masonic Homes of California

Union City, CA

510-471-3434

Masonic Homes of California

Covina, CA

626-251-2200

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Masonic Homes of California

	2018	2019	2020	2021
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$20,084,678	\$20,754,981	\$19,936,649	\$18,164,203
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$(44,025,745)	\$(46,931,157)	\$(49,140,281)	\$(49,062,058)
NET INCOME FROM OPERATIONS	<u>\$23,941,067</u>	<u>\$26,176,266</u>	<u>\$29,203,632</u>	<u>\$30,897,855</u>
LESS INTEREST EXPENSE	<u>\$(1,096,287)</u>	<u>\$(1,058,878)</u>	<u>\$(1,023,436)</u>	<u>\$(1,006,716)</u>
PLUS CONTRIBUTIONS	<u>\$847,893</u>	<u>\$2,730,578</u>	<u>\$432,727</u>	<u>\$4,378,920</u>
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	<u>\$44,478,806</u>	<u>\$33,859,538</u>	<u>\$8,288,424</u>	<u>\$73,093,764</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>\$20,289,345</u>	<u>\$9,354,972</u>	<u>\$(21,505,917)</u>	<u>\$45,568,113</u>
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	<u>\$2,123,262</u>	<u>\$2,597,301</u>	<u>\$(35,293)</u>	<u>\$1,739,941</u>

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
Bank of America N.A.	\$47,837,924	1.9%	8/15/2021	8/21/2026	25 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2018 CCAC Medians 50 th Percentile <i>(optional)</i>	2019	2020	2021
DEBT TO ASSET RATIO		0.06	0.00	0.04
OPERATING RATIO		2.01	2.47	2.46
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH ON HAND RATIO		6,226	5,574	6,856

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2018	%	2019	%	2020	%	2021	%
STUDIO	\$3,717	3%	\$3,829	3%	\$3,944	3%	\$4,062	3%
ONE BEDROOM	\$5,712	3%	\$5,883	3%	\$6,060	3%	\$6,262	3%
TWO BEDROOM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
COTTAGE/HOUSE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ASSISTED LIVING	\$236 per day	3%	\$270 per day	3%	\$279 per day	3%	\$287 per day	3%
SKILLED NURSING	\$299 per day	3%	\$309 per day	3%	\$318 per day	3%	\$328 per day	3%
SPECIAL CARE	\$273 per day	3%	\$281 per day	3%	\$289 per day	3%	\$298 per day	3%

COMMENTS FROM PROVIDER: >

>

PROVIDER NAME: Masonic Homes of California

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{ Depreciation Expense} \\ - \text{ Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{ Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{ Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community Disclosure Statement

Date Prepared: 02/17/2022

FACILITY NAME: Masonic Homes of California

ADDRESS: 1650 E. Old Badillo Street, Covina CA

ZIP CODE: 91724

PHONE: (626) 251-2200

PROVIDER NAME: _____

FACILITY OPERATOR: Judy Figueroa

RELATED FACILITIES: _____

RELIGIOUS AFFILIATION: Non-denominational

YEAR 1900 # OF 33 ☒ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: _____

OPENED: 1900 ACRES: 33 STORY 33 STORY ☐ OTHER: _____

MILES TO HOSPITAL: _____

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: _____

APARTMENTS — 1 BDRM: 31

APARTMENTS — 2 BDRM: _____

COTTAGES/HOUSES: _____

RLU OCCUPANCY (%) AT YEAR END: 87.5%

HEALTH CARE

ASSISTED LIVING: 25

SKILLED NURSING: _____

SPECIAL CARE: _____

DESCRIPTION: > _____

TYPE OF OWNERSHIP:

☒ NOT-FOR-PROFIT

☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☐ NO BY: _____

FORM OF CONTRACT:

☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☒ FEE FOR SERVICE

(Check all that apply)

☒ ASSIGNMENT OF ASSETS

☒ EQUITY

☐ MEMBERSHIP

☒ RENTAL

REFUND PROVISIONS: (Check all that apply) ☒ Refundable ☒ Repayable ☒ 90% ☒ 75% ☒ 50% ☒ OTHER: Fully Amortized

RANGE OF ENTRANCE FEES: \$ 0 - \$ 0

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Assignment of Assets Option Only

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: _____

OTHER: Mason/Widow/Mother

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:

(briefly describe provider's compliance and residents' roles) > _____

> _____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Parking/Gift Shop/General</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
<u>Store/Lodge Room</u>	<input type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Masonic Homes of California

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Masonic Homes of California

Union City, CA

510-471-3434

Masonic Homes of California

Covina, CA

626-251-2200

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

Masonic Homes of California

Union City, CA

510-471-3434

Masonic Homes of California

Covina, CA

626-251-2200

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Masonic Homes of California

	2018	2019	2020	2021
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$20,084,678	\$20,754,981	\$19,936,649	\$18,164,203
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$(44,025,745)	\$(46,931,157)	\$(49,140,281)	\$(49,062,058)
NET INCOME FROM OPERATIONS	\$23,941,067	\$26,176,266	\$29,203,632	\$30,897,855
LESS INTEREST EXPENSE	\$(1,096,287)	\$(1,058,878)	\$(1,023,436)	\$(1,006,716)
PLUS CONTRIBUTIONS	\$847,893	\$2,730,578	\$432,727	\$4,378,920
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$44,478,806	\$33,859,538	\$8,288,424	\$73,093,764
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$20,289,345	\$9,354,972	\$(21,505,917)	\$45,568,113
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$2,123,262	\$2,597,301	\$(35,293)	\$1,739,941

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
Bank of America N.A.	\$47,837,924	1.9%	8/15/2021	8/21/2026	25 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2018 CCAC Medians 50 th Percentile <i>(optional)</i>	2019	2020	2021
DEBT TO ASSET RATIO		0.06	0.00	0.04
OPERATING RATIO		2.01	2.47	2.46
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH ON HAND RATIO		6,226	5,574	6,856

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2018	%	2019	%	2020	%	2021	%
STUDIO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ONE BEDROOM	\$5,712	3%	\$5,883	3%	\$6,060	3%	\$6,262	3%
TWO BEDROOM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
COTTAGE/HOUSE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ASSISTED LIVING	\$236 per day	3%	\$270 per day	3%	\$279 per day	3%	\$287 per day	3%
SKILLED NURSING	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SPECIAL CARE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

COMMENTS FROM PROVIDER: >

>

PROVIDER NAME: Masonic Homes of California

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{ Depreciation Expense} \\ - \text{ Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{ Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{ Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{ Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

H&SC Section 1771.8 Disclosure

The bylaws of Masonic Homes of California require that one trustee on the Board of Trustees (which consists of fewer than 21 trustees) be a resident of the Masonic Homes community. Pursuant to the bylaws, this resident shall be nominated by the resident association of Masonic Homes and approved by the remaining trustees of the Board of Trustees, upon the occurrence of which the resident nominee becomes a full voting member of the Masonic Homes Board of Trustees. These procedures were followed for the period covered by the 2021 Annual Report and, accordingly, a Masonic Homes resident nominated by the resident association served as Resident Trustee during the period.

In addition, the Masonic Homes Board of Trustees maintains two residents to participate as nonvoting Resident Representatives to the Board of Trustees. In accordance with the California Health and Safety Code, one of the two nonvoting Resident Representatives is selected directly by residents of the Masonic Homes community in Union City, California, and the other Resident Representative is selected directly by the residents of the Masonic Homes community in Covina, California. A resident from each of these communities served as a Resident Representative during the period covered by the 2021 Annual Report.

**Masonic Homes of California
Continuing Care Contract Annual Report
Part 7**

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

- | | <u>RESIDENTIAL
LIVING</u> | <u>ASSISTED
LIVING</u> | <u>SKILLED
NURSING</u> |
|---|---|--|--|
| [1] Monthly Care Fees at beginning of reporting period:
(indicate range, if applicable) | <small>Market Rate based on varying features of units</small> | <small>Market Rate based on varying features</small> | <small>Market Rate based on Varying features</small> |
| [2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | 3% | 3% | 0% |
| <p><input type="checkbox"/> Check here if monthly care fees at this community were <u>not</u> increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)</p> | | | |
| [3] Indicate the date the fee increase was implemented: <u>03/01/2021</u>
(If more than one (1) increase was implemented, indicate the dates for each increase.) | | | |
| [4] Check each of the appropriate boxes: | | | |
| <p><input checked="" type="checkbox"/> Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.</p> <p><input type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. Date of Notice: <u>01/27/2021</u> Method of Notice: <u>Letter - Hand Delivery</u></p> <p><input type="checkbox"/> At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend. Date of Meeting: <u>01/27/2021</u></p> <p><input type="checkbox"/> At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.</p> <p><input type="checkbox"/> The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. Date of Notice: <u>01/13/2021</u></p> <p><input type="checkbox"/> The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. Date of Posting: <u>01/13/2021</u> Location of Posting: <u>Calendar and Library</u></p> | | | |
| [5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See <u>PART 7 REPORT ON CCRC MONTHLY CARE FEE</u> in the Annual Report Instruction booklet for further instructions. | | | |

PROVIDER: Masonic Homes of California
COMMUNITY: Union City

MASONIC HOMES OF CALIFORNIA
Union City

FORM 7-1

ADJUSTMENTS TO MONTHLY FEES

The only monthly fees reported by Masonic Homes of California are the private pension and Social Security income (if any) of each resident. The only adjustment to the monthly fees would be the result of increases of those pension and Social Security payments by the third party payer, and not the result of any increase charged by Masonic Homes of California. Therefore we cannot present a calculation explaining any increase in the amount of fees we report.

For a small population (approx 8%) of residents a Fee For Service contract is established. This type of contract is an accommodation to the residents who do not wish to turn over their assets to MHC and the structure of their fees should reflect approximately market rate.

The 2021 increase in the Monthly Service Fees of **3%** was implemented to adjust for the increase in cost of the services provided to this group of residents.

	Monthly YR 2020	Annual Entrance Fee	Monthly YR 2021	Annual Entrance Fee
One Bedroom				
Independent Living	\$ 3,755	\$ 251,288	\$ 3,868	\$ 258,826
Assisted Living	\$ 5,369	\$ 138,871	\$ 5,530	\$ 143,037
Skilled Nursing Minimum	\$ 14,466		\$ 14,900	

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<small>Market Rate based on varying features of units</small>	<small>Market Rate based on varying features of</small>	<small>Market Rate based on varying features of</small>

[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3%	3%	n/a
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☐ Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: 03/01/2021
(If more than one (1) increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. **Date of Notice:** 02/01/2021 **Method of Notice:** Letter-Hand Delivery
- ☒ At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 02/01/2021
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice:** 01/14/2021
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. **Date of Posting:** 01/14/2021 **Location of Posting:** Library and Calendar

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See **PART 7 REPORT ON CCRC MONTHLY CARE FEE** in the **Annual Report Instruction** booklet for further instructions.

PROVIDER: Masonic Homes of California
COMMUNITY: Covina

MASONIC HOMES OF CALIFORNIA
Covina

FORM 7-1

ADJUSTMENTS TO MONTHLY FEES

The only monthly fees reported by Masonic Homes of California are the private pension and Social Security income (if any) of each resident. The only adjustment to the monthly fees would be the result of increases of those pension and Social Security payments by the third party payer, and not the result of any increase charged by Masonic Homes of California. Therefore we cannot present a calculation explaining any increase in the amount of fees we report.

For a small population (approximately 1.6%) of residents a Fee For Service contract is established. This type of contract is an accommodation to the residents who do not wish to turn over their assets to MHC and the structure of their fees should reflect approximately market rate.

The 2021 increase in the Monthly Service Fees of **3%** was implemented to adjust for the increase in cost of the services provided to this group of residents. Notice of the fee increase was done one-on-one with each resident affected.

	Monthly	Annual	Monthly	Annual
One Bedroom	YR 2020	Entrance Fee	YR 2021	Entrance Fee
Independent Living	\$ 3,527	\$ 251,288	\$ 3,633	\$ 258,827
Assisted Living	\$ 5,290	\$ 138,838	\$ 5,449	\$ 143,003

